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Union Calendar No. 277

100th Congress, 1st Session

H. Rept. No. 100-433 S. Rept. No. 100-216

Report of the Congressional Committees Investigating the

Iran-Contra Affair

Appendix B: Volume 1
Depositions

Lee H. Hamilton, *Chairman,*
House Select Committee
Daniel K. Inouye, *Chairman,*
Senate Select Committee

U.S. House of Representatives
Select Committee to Investigate
Covert Arms Transactions with Iran

U.S. Senate Select Committee
On Secret Military Assistance to Iran
And the Nicaraguan Opposition

November 13, 1987.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed.
November 17, 1987.—Ordered to be printed.

Washington : 1988

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SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN
UNITED STATES CAPITOL
WASHINGTON, DC 20515
(202) 223-7902

March 1, 1988

The Honorable Jim Wright
Speaker of the House
U. S. Capitol
Washington, D. C. 20515

Dear Mr. Speaker:

Pursuant to the provisions of House Resolutions 12 and 330 and House Concurrent Resolution 195, 100th Congress, 1st Session, I transmit herewith Appendix B to the Report of the Congressional Committees Investigating the Iran-Contra Affair, House Report No. 100-433, 100th Congress, 1st Session.

Appendix B consists of the depositions taken by the Select Committees during the investigation. The contents of Appendix B have been declassified for release to the public.

Sincerely yours,

Lee H. Hamilton
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United States Senate
SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
WASHINGTON, DC 20510-6480

March 1, 1988

Honorable John C. Stennis
President pro tempore
United States Senate
Washington, D.C.

Dear Mr. President:

We have the pleasure to transmit herewith, pursuant to Senate Resolution 23, Appendix B to the final Report of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition. We will submit such other volumes of Appendices to the Report as are authorized and as they become available.

Sincerely,

Daniel K. Inouye
Chairman

Warren B. Rudman
Vice Chairman

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Preface

The House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, under authority contained in the resolutions establishing them (H. Res. 12 and S. Res. 23, respectively), deposed approximately 290 individuals over the course of their 10-month joint investigation.

The use of depositions enabled the Select Committees to take sworn responses to specific interrogatories, and thereby to obtain information under oath for the written record and develop lines of inquiry for the public hearings.

Select Committees Members and staff counsel, including House minority counsel, determined who would be deposed, then sought subpoenas from the Chairmen of the Select Committees, when appropriate, to compel the individuals to appear in nonpublic sessions for questioning under oath. Many deponents received separate subpoenas ordering them to produce certain written documents.

Members and staff traveled throughout the United States and abroad to meet with deponents. All depositions were stenographically reported or tape-recorded and later transcribed and duly authenticated. Deponents had the right to review their statements after transcription and to suggest factual and technical corrections to the Select Committees.

At the depositions, deponents could assert their fifth amendment privilege to avoid self-incrimination by refusing to answer specific questions. They were also entitled to legal representation. Most Federal Government deponents were represented by lawyers from their agency; the majority of private individuals retained their own counsel.

The Select Committees, after obtaining the requisite court orders, granted limited or "use" immunity to about 20 deponents. Such immunity means that, while a deposed individual could no longer invoke the fifth amendment to avoid answering a question, his or her compelled responses—or leads or collateral evidence based on those responses—could not be used in any subsequent criminal prosecution of that individual, except a prosecution for perjury, giving a false statement, or otherwise failing to comply with the court order.

An executive branch Declassification Committee, located in the White House, assisted the Committee by reviewing each page of deposition transcript and some exhibits and identifying classified matter relating to national security. Some depositions were not reviewed or could not be declassified for security reasons.

In addition, members of the House Select Committee staff corrected obvious typographical errors by hand and deleted personal and proprietary information not considered germane to the investigation.

In these *Depositions* volumes, some of the deposition transcripts are followed by exhibits. The exhibits—documentary evidence—were developed by Select Committees' staff in the course of the Select Committees' investigation or were provided by the deponent in response to a subpoena. In some cases, where the number of exhibits was very large, the House Select Committee staff chose for inclusion in the *Depositions* volumes selected documents. All of the original

exhibits are stored with the rest of the Select Committees' documents with the National Archives and Records Administration and are available for public inspection subject to the respective rules of the House and Senate.

The 27 volumes of the *Depositions* appendix, totalling more than 30,000 pages, consist of photocopies of declassified, hand-corrected typewritten transcripts and declassified exhibits. Deponents appear in alphabetical order.

Publications of the House and Senate Select Committees

Report of the Congressional Committees Investigating the Iran-Contra Affair, 1 volume, 1987.

Appendix A: *Source Documents,* 2 volumes, 1988.
Appendix B: *Depositions,* 27 volumes, 1988.
Appendix C: *Chronology of Events,* 1 volume, 1988.

All publications of the Select Committees are available from the U.S. Government Printing Office.

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EXECUTIVE SESSION

DEPOSITION OF [redacted] AIRLINE PARLIAMENTARY OFFICER PROJECT

Friday, June 12, 1987

U.S. House of Representatives,
Select Committee to Investigate Covert
Arms Transactions with Iran,
Washington, D.C.

4038

The committee met, pursuant to call, at 1:10 p.m., in Room B-352, Rayburn House Office Building, Patrick Carome (Staff Counsel of the House Select Committee) presiding.

Present: Patrick Carome, Staff Counsel, House Select Committee; Timothy Woodcock, Associate Counsel, Senate Select Committee; and David Pearline, Counsel, CIA, representing the witness.

Declassified/Released on 18 Dec 1987
under provisions of E.O. 12356
D. Reger, National Security Council

2 of 3

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Whereupon, [redacted]

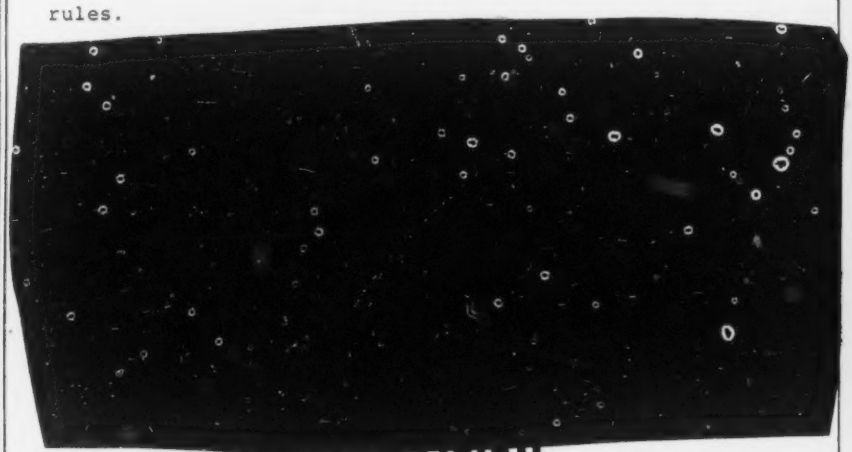
was called as a witness by Counsel for the House Select Committee, and having been duly sworn, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR THE SELECT COMMITTEES

BY MR. CAROME:

Q [redacted] just for the record, I am Patrick Carome, I am staff counsel with the House Select Committee to Investigate Covert Arms Transactions with Iran. Also present is Tim Woodcock, an attorney with the Senate Select Committee looking into the same matters.

Our committee has been set up pursuant to the resolution and rules which I have just given you a copy of and which the CIA has been earlier provided copies of these rules. This deposition is being conducted pursuant to these rules.



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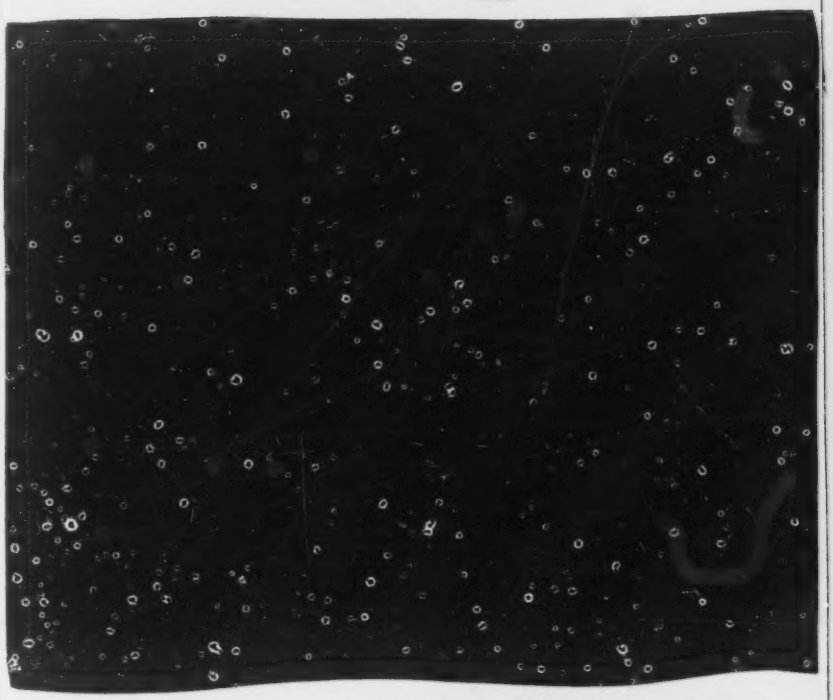

Q But it was beginning June, 1985 that you became Project Manager with respect to [redacted] is that right?

A Right.

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[redacted]

A In other words, [redacted] answered to me on financial matters and what we were doing and so forth, and then I would give him instructions from our side.

Q And when you say "from our side", you mean the CIA [redacted] is that right?

A Yes, right.

Q Who within [redacted] did you deal with as project manager for [redacted]

A Primarily the Branch Chief or Deputy Branch Chief [redacted]

Q So I get a better idea of these people, the Branch Chief, during 1985, was [redacted] is that correct?

A Yes.

Q And the Deputy Branch Chief during 1985 --

A [redacted]

Q Was [redacted]

A Right.

Q And the [redacted] Section Chief -- is that what you said?

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A Yes, I think that --

Q That was [redacted]?

A No, it was initially [redacted]

Q And the position held by [redacted] toward the end of 1985 was essentially the same position that you held [redacted]?

A Right.

Q At an earlier time, is that right?

A Yes.

Q Okay.

A [redacted]

Q The primary timeframe that I am interested in talking to you about today is really the second half of 1985.

[redacted]

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[redacted]

Q I take it that [redacted] during the time I am talking about, the second half of 1985, performed both straight commercial operations and special operations at the behest of the United States Government, is that right?

A Yes.

[redacted]

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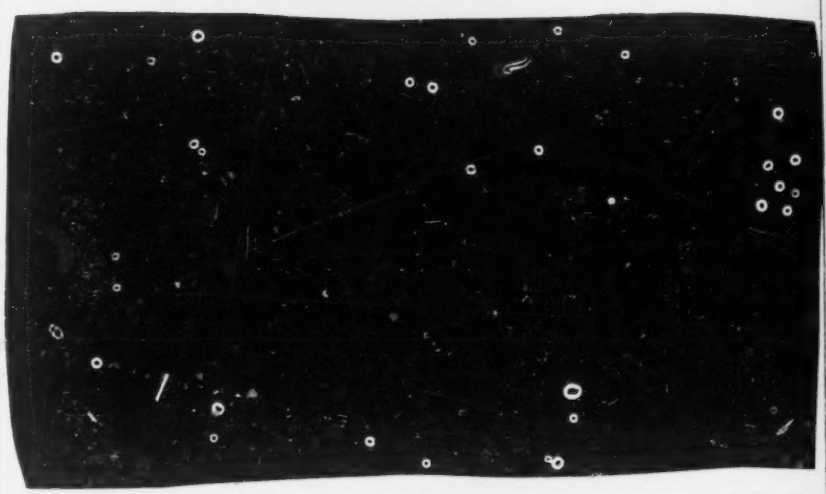

Q Okay. I take it that your primary contact with the [redacted] proprietary was [redacted] is that right?

A Right.

Q Was all of your contact with [redacted] through him?

A Right.

Q Did you ever speak directly with crew members and pilots, et cetera?

A Not during that timeframe. Probably in January -- sorry, March of '86 would be the first time that I had a daily contact with crew members and actually flew on some flights and had a chance to meet the people individually.

Now, during the first six months I had met a few people, I had met them in the office as the result of being in the office and passing through the office, but not daily contact.

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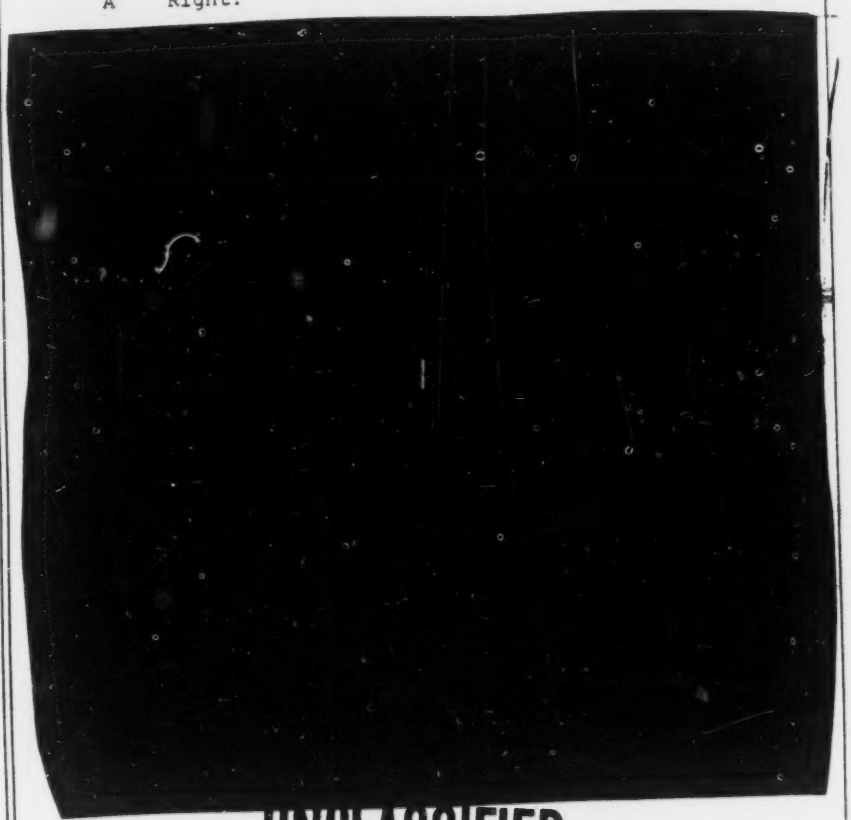
Q When you say office, what office are you referring to?

A [redacted] office, the office [redacted] itself, and the -- we didn't have an office [redacted] per se, but our aircraft was based [redacted] so I met the crew there.

Q I take it that you worked out of an office [redacted] is that right?

A Right.



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Q When [redacted] performed straight commercial cargo carries, what type of information or what type of contact would there be between [redacted] and you?

A Other than keeping track of what we were doing or trying to keep track of what we were doing so that I would know where the aircraft were, the flyable status of the aircraft, he had the authority and in fact did contract the aircraft and run that schedule. I didn't know on a daily basis who we were flying for that day necessarily or where the aircraft was going, except we did have a recurring contract [redacted] that we flew most of the time, hauling [redacted] freight and one thing or another.

So I didn't get involved in that except to try to personally keep myself abreast of where the aircraft were located in case a requirement come up that we had to fulfill, and the flyable status of the aircraft. We had an agreement, we operate I should say beyond even an agreement. He had the authority to accept any commercial contract and fly that aircraft without notifying me as long as it didn't [redacted] and that type of stuff, and if he had an offer to do so, then he would call me, and we would get clearances, or I would get clearances, I should say more correctly.

Q [redacted]

A [redacted] Iran was

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considered one as well.

Q And these are countries that it is particularly sensitive for a U.S.-associated company to fly into, is that right?

A Right. Even though we were not U.S. associated, [redacted] We do have, you know, in fact, we owned the aircraft and so forth.

MR. WOODCOCK: Other than [redacted], were there any other restrictions on [redacted] ability to accept a contract for a flight?

THE WITNESS: Other than practical, no. In other words, he would have to justify later as a fact why we would have taken a flight.

MR. WOODCOCK: How about cargos?

THE WITNESS: Cargos, no, except to be legal. In other words, he is not obviously going to be,what would you call it, smuggling or that type of stuff. It would be legal, contracted type flights. He wouldn't have the authority to go out and personally generate a load somewhere and transport it. As long as we were hauling for someone else under a contract or a trip contract type thing.

BY MR. CAROME:

Q He could, for example, contract to perform a shipment of military equipment or armaments without having to

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double check with you, is that right?

A Depending on the destination, yes.

Q It is the destination that drove whether or not he had the authority?

A And who we were flying for, yes.

Q And what do you mean by "who we were flying for"?

A As an example, any time he flew for -- there was like one broker, we knew any time we flew for that one -- because they were kind of known as arms dealers worldwide -- so even though it would be, say, from [redacted] or somewhere, [redacted] or something, he would advise me of that flight [redacted] to let us know this was in fact going on.

And I think you have a copy of some of his reports where he reported flights for Iran previous to this time-frame we are talking about that he had picked up from these people.

Q What was the normal method of communications between you and CIA and between you and [redacted] when there was a need for [redacted] to perform a special flight on behalf of the U.S. Government?

A It would vary depending on the urgency, obviously. A lot of it was by commercial telephone and talking around as much as we could. A lot of it would be, I would get a

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phone call [redacted] for a briefing and would actually [redacted] and physically get the briefing and then go back and relay it back to [redacted] or to actually implement the thing.

[redacted]

Q Normally what would take place, I take it, is that someone at CIA would call you up and say "We have a task for [redacted] to do, can [redacted] do it?" Is that right?

A Right.

Q And who would normally be the person to make that phone call to you?

A One of the three: the Branch Chief primarily, or his deputy, and then [redacted]. In this case, you are interested in what was probably the first one that we worked with [redacted] directly, and that was with he and the Branch Chief the same night, same weekend.

Q You are referring to the November, '85 shipment, is that right?

A Right. But most of my flights would come directly from the Branch Chief, or at least notification of it would,

[redacted]

Q That would either be -- that would usually start

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with a phone call to you, is that right?

A Yes.

Q And depending on how quick things had to happen, you would either handle it [redacted], or [redacted] CIA Headquarters, is that right?

A Right.

Q And what about the communications between you and [redacted] how would those work in this special flight area?

A Either by telephone or, based on sensitivity, face-to-face with [redacted] I would either go to his place, or he would come to mine for a face-to-face briefing if the time allowed, or if circumstances allowed. Otherwise, it was by telephone.

MR. WOODCOCK: I just want to establish, for the record, when you say [redacted] you are referring to [redacted]

THE WITNESS: Right, [redacted] yes, right.

BY MR. CAROME:

[redacted]

Q And when a tasking came down from the Central Intelligence Agency, did you instruct [redacted] that he would do this, or would you ask him, "Do you want to do this

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CIA tasking?"

A It would be more of an instruction with, obviously taking his advise and counsel as to safety and whether we should do it or not, but it would be in the form of orders, if you will, saying, "This is the flight", you know, "Do it" and "How do we do it" and whatever. It wouldn't -- not a cold block order, saying, "Do it" and no ifs,ands or buts, if he had a concern about safety [redacted] or whatever, that wold obviously be entertained and the flight would, you know, take that -- go and take that into consideration. We never did not do a flight because he said he didn't want to do it or anything of that nature. So that was the point I was trying to make.

Q Okay.

A Fortunately, we never ran into that situation where he said, "I won't do it" or "We can't do it", or whatever.

Q But the flow of authority or command was from you down to him, is that right?

A Right.

Q How many times, to your knowledge, has [redacted] flown to Iran?

A Twice. Two flights.

MR. PEARLINE: In what time period?

MR. CAROME: I guess I am talking about your total.

THE WITNESS: Twice.

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MR. PEARLINE: Okay.

BY MR. CAROME:

Q Which two times are those?

A We did a strictly commercial flight in August, 1985. Then we did a second flight in November, 1985.

Q And just to refresh your recollection, I believe that there was also a flight, at least one flight, into Iran in May of 198 -- sorry, I withdraw that question. My confusion.

A The August, 1985 flight, you understand, was not an agency flight.

Q Why don't you tell me what that flight was?

A That was [redacted] you know, that we found out after the fact. We knew at the time we booked the flight that it was supposed to be [redacted] received a request for flight, as we have several others other than that one, and relayed it to me that a brother had approached him to make this flight. It was a [redacted] and at that time I was told that [redacted] and possibly [redacted] had something to put on board the flight. We made a pickup -- the flight was scheduled to pick up in [redacted] in fact, we did pick up [redacted] he gave me the details of the flight, I reported them to Headquarters and asked approval to make

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the flight.

We got approval to make the flight, and, in fact, did.

Q Who did you make the report to at Headquarters?

A To [redacted]

Q Did he tell you, you made that report by telephone?

A Yes.

Q And did he tell you on that phone call, "Yes, go ahead"?

A No, it was, in fact, a couple days later before I got the clearance to go ahead and make the flight. As a matter of procedure, when some of these flights come up, we would continue to negotiate the flight, [redacted] instructions were to not turn the flight off in case we decided we wanted to make the flight, but always leave an out, so we would not have to make the flight in case I got a "no response". In this flight, I got a "yes" response.

Q And that, again, came by [redacted] from [redacted] by phone?

A Yes.

MR. WOODCOCK: Was there any report of that consultation process that was put down in writing?

THE WITNESS: Not during that time. [redacted] made a report to me, and I think I made a comment in one of my weekly or monthly reports to [redacted]. In fact,

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I remember turning in a copy of the flight manifest that [redacted] had provided to me.

BY MR. CAROME:

Q How did you learn that some of that material originated [redacted]?

A As it turned out -- this is from [redacted] his verbal to me, which he had gotten from the brother that this is where the cargo was supposed to have come from. As it turned out, according to [redacted] stuff didn't show up, so to be able to say exactly where the cargo came from I don't think we can do so.

But his was verbal from the brother to him, and then to me.

Q Okay.

A I think the only thing I can remember, and you are stretching it for a year-and-a-half, is part of the documentation showed some [redacted] which I remembered recognizing.

Q Did you play any role in that August, 1985 business coming to [redacted]?

A No.

Q It came to [redacted]?

A Right.

Q Were there [redacted] let's say, prior to November, 1985 [redacted] cargo shipments

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into Iran that you know of?

A Yes. I received a call, and later I got it in writing, and there is a question in my mind as to when I actually got it in writing, I think it was after the November flight when I finally received a memo of [redacted] dated earlier, I do recall [redacted] 13 flights or 13 loads from [redacted] to Tehran. And this was more for information, [redacted] So we never, other than informed the agency [redacted]

Q I had understood from [redacted] testimony yesterday that this [redacted] occurred sometime in November, 1985. Is that consistent with your recollection?

A Yes, that is consistent. His memo -- and I don't remember the exact date -- his memo was like three days prior, three or four days prior to the time that we entered into the, the 23 I think it is of November flight. I think his memo was dated the 19th or 20th of November.

But preceding the memo was a phone call, and then

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later I got the memo. Like I say, I don't think I had the memo at the time we currently discussed the flight.

Q Just so the record is clear, with respect to this [redacted] you recall receiving a phone call from [redacted] saying "We have [redacted] these flights from [redacted] to Iran", is that right?

A Right. And it wasn't a specific phone call for that subject. It was mixed in among some other reporting. Normally he would give me information by phone and would follow it up with a memo that, because of the mail or because he would hand carry it to me a few days later so we probably discussed other things as well, was not a specific phone call saying "I received that one flight"; that was the extent of it. It may have other business matters as well.

Q That was part of a general report to you?

A Right.

Q From [redacted] is that right?

A Yes.

Q And he would periodically make such reports, is that right?

A Yes.

Q How often would he do that?

A We would talk at least weekly, sometimes daily, depending on what activity were going on, both financial, commercially or officially.

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Q And he would follow those phone calls up with memorandums, is that right?

A Sometimes, most of the time. He should have in most cases, yes. But there was obviously gaps where he wouldn't do that.

Q And what do you recall [redacted] telling you about this [redacted] shipment [redacted] to Iran?

A Basically, what -- at that time, basically what I had told you, until I got the call on the flight that we finally did do, when I first described the flight to him, he said, "That sounds like the same flight that I told you about earlier," and I said, "No, the destination is wrong, and I don't think it could be that."

And then we dropped it, and that was the extent of the reference to that period.

Q All right. Could we go off the record for a second.

(Discussion off the record.)

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mas 1 MR. CAROME: Let's mark this as Exhibit [redacted]-1.

[The document marked Exhibit No. [redacted]-1 follows:]

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MR. CAROME: [redacted] I am putting before you what has been marked as Exhibit 1. I ask you if you recognize that to be a November 21, 1985 memorandum from [redacted] to you?

THE WITNESS: Yes.

BY MR. CAROME:

Q You recognize that as [redacted] memo, even though it doesn't bear his name on it, is that right?

A Yes.

Q I have a couple of questions about this Exhibit 1. First you will note on the first page that there are several paragraph items and a couple of them have been blacked out and paragraph 3 is one which has been blacked out. I have seen an unredacted version of that document and I know that paragraph 3 deals with [redacted] several flights [redacted] to Iran.

Are you familiar with the test of that paragraph?

A I haven't seen it for a while, but yes, that is the memo I was referring to. Like I say, the date was the 21st. I don't think I had this on 23rd at the time [redacted] asked me the question is this the same flight, but he at that time reported to me verbally the report. He referred to in his After Action Report or whatever that this is the flight I referred to you earlier and I said

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no, I don't think it is.

Q Did [redacted] tell you when you talked to him the first time about this [redacted]

A I don't remember. I don't remember that coming into it, no.

Q Paragraph 3 in its unredacted form states that [redacted] the nature of the cargo was I believe munitions or armaments of some sort. Is that how [redacted] described it to you in the telephone call?

A Yes.

Q So you knew that that was a shipment of military armaments or munitions, is that right?

A Yes.

Q Did [redacted] ask [redacted]

A No. [redacted] In fact I think he was reporting it more as a "This has been on the street for a week [redacted] It may be of interest to our people [redacted]

Q Did [redacted] tell you that it was

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[redacted] which was involved [redacted]

A I would almost say [redacted] rather than [redacted] or something to that effect. I don't remember seeing this recently but I think it was [redacted]

Q Is that an airline company?

A Yes, to my knowledge it is. I am not familiar with the company but to my knowledge it is [redacted] airline or some airline doing business [redacted]

Q [redacted]

A [redacted]

Q [redacted]

A [redacted]

Q Did [redacted] tell you that while the actual nature of the cargo was armaments or munitions, it was being billed on the market as medical equipment?

A I don't think so. I don't remember that coming in.

Q Before we move forward in time, I want to ask you, do you know prior to the matters we have already been talking about, were there other offers that [redacted] received to perform flights into Iran?

A During my time -- now I don't know prior to

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June '85. The first one I have memory of is the one in August that I got approval for us to do. In fact I felt good that we had gotten approval to do, that was what we were supposed to be out there doing anyway. To my memory that was the first one that we had been approached or at least he told me that he had been approached to do and we went in and got approval to do.

Q We have been told at some point and I don't remember the details precisely that there was an offer made to [redacted] to fly I believe [redacted] to Iran at some point. Are you aware of such an offer?

A I don't remember the word [redacted] I remember that we did have an offer or in fact we started out to do a flight [redacted] I believe, somewhere [redacted] in January of '86. In fact he gave me the flight. I just don't remember the word [redacted] -- he gave me the flight as a proposal, I submitted it to Headquarters to [redacted] and for some reason they weren't as responsive on this one as they had been previously. In fact I had to bug them a couple of times because we were getting close to the time we had to move the aircraft to do the flight. This stretched out over a couple of days. We finally got to the point where we had accepted the money to do a flight and had to move the aircraft. We had a

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fuel and crew rest stop scheduled [redacted] I got approval to proceed that far and not let the aircraft proceed further until I had approval from the Agency. After arrival of the aircraft prior to the scheduled take-off of the aircraft, I finally got a phone call from [redacted] saying we were disapproved for the flight.

Q Did he say where the disapproval came from?

A I didn't ask, but normally the DO staff. In fact at that time we were talking on [redacted]

Q Was this an opportunity that came to [redacted] through commercial channels unassociated with the Agency?

A Yes.

Q Much like the August flight?

A Just like the August flight, right. In fact if I remember correctly it was from the same broker.

Q Is that [redacted]?

A Yes.

MR. WOODCOCK: Were you told why the flight was refused?

THE WITNESS: No.

MR. WOODCOCK: Have you ever learned afterwards why it was refused?

THE WITNESS: No, I never asked. I told [redacted] why the flight was refused but that was between

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he and I and more to cover our relationship than mine with the Agency, and that my explanation to [redacted] was let's don't question it, they must know something we don't know, as far as safety of the aircraft or so forth.

MR. CAROME: You recall that that was -- let me rephrase the question. You don't have a specific recollection of whether that was [redacted] on that flight, is that right?

THE WITNESS: I don't remember there were [redacted] no. I knew that it was [redacted] of some sort or at least we understood that that was what it was, and I don't recollect him saying to me [redacted] per se.

BY MR. CAROME:

Q Let's go back to Exhibit 1 for a moment. Paragraph 4 is headed Tehran Situation. Can you explain to me what that item is in this report?

A He was reporting to me a flight that had taken place to Tehran that he had apparently gotten from [redacted] or one of the brokers there and how the flight was conducted and the fact that they were escorted by fighter aircraft. That he found interesting, that that had transpired.

Q And I take it there is no question in your mind that that was not a flight performed by [redacted]

A No, I know it wasn't, or I feel like I know it

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wasn't I should say. In fact that question did come up later that could he have possibly made this flight, as somebody could have misread it, that maybe he made the flight and didn't report it or we didn't get approval for it. I went back into my files and was able to satisfy myself that our aircraft in fact was in the paint shop at that time. I didn't physically see it there, but I bought the paint and we were out for a period of time, that we were satisfied that [redacted] did not make a flight.

Q I gather that you checked into that matter in late '86 when this same question came up?

A Right.

Q And you provided [redacted] with some records substantiating the account that the plane appeared to have been in a paint shop at the time?

A Right.

Q Could you describe how the second Tehran flight, this is now the November '85 flight that [redacted] did perform, how that matter came to your attention and what happened when it did?

A I received a call late afternoon, early evening the 22nd, I guess it was a Friday afternoon or evening, whatever day of the week it was.

Q Perhaps to assist you let me --

A Please.

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Q -- put before you an exhibit that deals with this matter.

MR. CAROME: Could you mark this as Exhibit 2.

[The document marked Exhibit No. [redacted]2 follows:]

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m10 1 BY MR. CAROME:

2 Q [redacted] I am putting before you what the
3 reporter has just marked as Exhibit 2 and I ask if you
4 recognize what that is?
5 A Yes.
6 Q What is it?
7 A It is some handwritten notes of mine made during
8 that weekend under question.
9 Q Were you making these notes as events were
10 transpiring?
11 A Yes.
12 Q Why don't you go back to telling us the story of
13 how this activity or the need for a flight to be made came
14 to your attention?
15 A Okay. I see they have x'ed out names. Should I
16 refer to it as this or give the name of the individual.
17 MR. PEARLINE: Could we go off the record?
18 [Discussion off the record.]
19 THE WITNESS: I received a call at 1600 hours
20 on the 22nd from [redacted]
21 MR. CAROME: Sixteen hundred hours [redacted]
22 [redacted]
23 THE WITNESS: Yes -- requesting availability of
24 the aircraft for a possible sensitive flight. He gave me
25 the dimensions of the cargo, gave me the pickup and

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destination, [redacted]

I immediately called [redacted] to determine the location of the aircraft and flyable status, to which if I could read it it would refresh my memory -- one aircraft, the [redacted] aircraft was on a flight at that time. [redacted] one was a leased 707 with a U.S. registration number, the second was one that we owned and had [redacted] registration numbers, [redacted] It was on a flight at the time.

The in registered aircraft or the U.S. registered aircraft was on the ground [redacted] scheduled for a flight the next morning [redacted] I relayed that information back [redacted] I am not sure who that call was to, either [redacted] because in the interim I talked to those two individuals exclusively and sometimes it would be to [redacted] and sometimes it would be to [redacted], since both of them were working the flight.

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I gave that back to them after a period of time, it looks like here 1730, about an hour and a half later. I got a call from [redacted] in this instance telling me that we were to do the flight, and that we were to give it to [redacted] with the name Richard Copp, that he would be contacting through the flight and it was in our interest for him to do the flight, but to handle it as a commercial flight, which meant as far as [redacted] was concerned that yes, we wanted him to do the flight, in fact he asked me specifically how much should I charge, and I told him to charge the normal commercial rate and that he would be responsible for collecting the money, it would not be a payment by the Agency for the flight. There was a period of waiting for this to happen. In fact he returned a call to me I see here 2000 hours that Mr. Copp had in fact called him and questioned him did he have any knowledge of the flight, which [redacted] denied to Copp, so Copp explained again what he had, a flight from Tel Aviv to [redacted] described the cargo that I had earlier described the cargo as being dimensions only.

I believe at the time the words "mining equipment" come into play, I am not certain who said that first. But in any case it was the -- oil drilling equipment, not mining equipment -- that we were going to haul that. [redacted] reported back to me that the

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customers agreed to the price they had said and agreed on the fact that he was only going to use one aircraft, [redacted] The agreement was [redacted] the aircraft could not take off until [redacted] next morning, [redacted] so it was agreed that the aircraft would take off [redacted] and go to Tel Aviv to pick up the cargo.

They said we need pallets and we had no pallets. [redacted] called and said rather than transport the pallets during the night [redacted] that he wanted to take off [redacted] and go to [redacted] to pick up the pallets. I agreed that that would be more or less an administrative flight on our behalf but to pick up the pallets that way. The aircraft was delayed on departure, that was one of the next calls I got, [redacted] I am not sure how much detail you want.

BY MR. CAROME:

Q Go on. We will let you tell the story and go back

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over it and ask particular questions.

A Obviously there were several phone calls back into [redacted] to let them know the status, the fact that we were delivering and that we were using the U.S. bird rather than our aircraft. The aircraft arrived in Tel Aviv and met with a Mr. -- the Captain met with a Mr. Swimmer, which was the first [redacted] reported this to me and that was the first time I heard that name.

Q How was that reported to you?

A From [redacted] received it from the Captain and I received it from [redacted] Somewhere during that conversation it became apparent that the cargo was final destination Tehran, and they wanted us to fly it directly into Tehran. The captain balked at this, obviously, since it was a change for him. He called [redacted] and [redacted] called me. I then called [redacted] to inform him that that is what we had come up against. We had the U.S. registry aircraft was there. We made the determination that there would be no circumstances we would allow the U.S. registry aircraft to go, we would call the other aircraft into play and continue to do the flight even though we knew the destination was Tehran at that time. That is when it came to -- [redacted] come to me and said it is the same load and I denied it

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and I did it more to get him off the subject rather than just to continue the discussion over [redacted] telephone where there was -- speculation as to whether it was the same load [redacted] I denied to him I didn't think it could possibly be the same. Without a real feel either way.

We were on a commercial phone and I was trying to cut down the amount of discussion of this if we could. Later we did recall the aircraft [redacted]

Q By aircraft, which aircraft are you referring to?

A The [redacted] aircraft, the one we owned, once it was determined that we could not use the United States registry aircraft and had it diverted into Tel Aviv. They had already started loading the aircraft as a matter of fact, the U.S. registry aircraft when this was discovered. So when our aircraft arrived we had to off-load the one into ours and a decision was made to ship it back [redacted] That was a decision between [redacted] and myself. He had reported to me, this guy, the guy on the ground there must be crazy, he was trying to talk the captain into changing the numbers and flying formation and they were upset that we were pulling that aircraft out of the deal, but we stood our ground and off-loaded it and took one crew out and flew them back [redacted]

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The next thing that come along, as I was reporting this back to [redacted] the question come up as to who would provide overflights, since we had obviously not requested overflights for this flight. And I was told once again to handle it as a strictly commercial flight but to be aware that the overflights would be granted and the way paved, I should say, that the overflights would be granted and the people there responsible for providing --

Q Who told you that?

A This come from either [redacted] I think [redacted] I feel fairly confident [redacted] relayed that to me. He assured me the overflights would be granted but [redacted] would have to handle it commercially with the people on the ground there.

So then we got into some planning as far as the flight itself went because in order for them to make sure that the overflight was expedited or at least would be granted, I passed to them the FIR times for the aircraft from take-off and since we didn't have a take-off time because the loading was going so long --

Q What does FIR stand for?

A It is the air international boundary -- I should be able to tell you what the initials stand for -- each country has an imaginary line as to once you cross that line you are into their air space -- that in essence is what

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it is, you are transferring from one country's air space into another country's air space at an internationally agreed upon point. Part of over flight clearances is you must tell them what time you will be at the point and if you are crossing the country, what time you will leave their FIR. I passed those two times into headquarters.

Q Who did you pass them to?

A To [redacted]

Q What happened next?

A The next instant I got a call from [redacted] because he was handling this pretty much on his own and things were going pretty smooth or at least we thought they were [redacted] had told me they were going to fly directly to Tel Aviv, they were going to file for [redacted] but overfly [redacted] and fuel the aircraft to do so. After the aircraft was fueled they informed him they were telling him they had to land [redacted] and this would involve defueling of the aircraft because they were too heavy to land.

He wanted me to stop it. I made no effort to stop that other than to inform either [redacted] that this was the case and of course, the decision was made we would defuel the aircraft and land [redacted] as they had instructed the crew to do. So they did defuel the aircraft and eventually took off on the flight.

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Q [redacted] checked with you and he checked with someone at [redacted] to make sure that was okay?

A To inform them, rather than checking -- we knew that we weren't going to interfere at that point.

Q It was either [redacted] that you spoke to on that matter?

A Yes. The next communication I had with [redacted] was the aircraft took off, I got the take-off time. A few hours later I got a call from him that on landing [redacted] that the crew had called that they were in trouble. They had no documentation on the cargo and their impression was that nobody at the airport were expecting them and consequently they had shown up with an aircraft without a proper manifest and so forth.

[redacted] was in sort of a panic and a little mad at this point at how disorganized this thing was. I called [redacted] informed him of the problem. He put me off and called me back later with the information that we would have to handle it, that he couldn't help us, that the crew would have to work it out somehow themselves. To which I called [redacted] back and this all took place in a matter of I would guess an hour or so.

When I called [redacted] back to tell him that the crew would have to handle it themselves, he informed me the crew had in fact done that, that they had and written

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out a manifest and given it to the local authorities [redacted] and apparently to their satisfaction.

Then the next call was the fact that they were not able to take off because they didn't have [redacted] overflight. Before any action was taken on that, I did get a call back saying that they had been granted take-off clearances and they were talking to [redacted] air traffic control people and apparently everything was going well. They in fact made it through the flight and landed at Tehran.

The next call I got after that was reporting the aircraft had landed in Tehran giving the time it had landed and basically that was the extent of that conversation. We were off for some time while the crew was off resting and one thing and another. [redacted] talked to the crew, I think they were in the hotel while they were on the ground in Tehran and had instructed the captain to fill the aircraft up full of fuel and to be prepared to divert -- to call him by HF radio and be prepared to divert from our planned rest stop. Our planned rest stop coming out of Tehran was to go back into --

Q Would it [redacted]?

A Yes, going into [redacted] planned rest stop. [redacted] alerted the crew to make sure they had plenty of fuel to make [redacted] in case he gave them the signal over the radio.

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Q I take it that this question about whether to [redacted] or [redacted] was really a question as to whether to carry on with sorties from Tel Aviv or to drop out of the operation?

A Yes. I had instructions that even though they were talking five flights at the time that we were to do the one flight and after the one flight, we would get clearances as to whether we would do the second flight or not and that was the signal [redacted] was to pass to the crew, whether we were going to dc the second flight or not.

MR. WOODCOCK: Who gave you those instructions?

THE WITNESS: [redacted]

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BY MR. CAROME:

Q What happened next?

A For the flight itself, he passed the word for them to divert [redacted] They went [redacted] and refueled, and at that time he talked to them, I believe by telephone, and told them to go on back [redacted] because he and I had talked in the interim, and I told him to go back [redacted] with the aircraft, that we wouldn't do any more flights.

To back up, I should say that I was in Washington on Monday, the --

Q [redacted] that morning, is that right?

A Yes.

Q And arrived -- what time did you arrive in Washington?

A Normally I guess 10:30. I don't remember the date, but that is the normal [redacted] I will arrive in the building about 10:30 [redacted]

Q Why did you come [redacted]

A Per discussions with [redacted] over the weekend, on Sunday night, I guess, that I would come [redacted] Monday to catch up on -- all of this at that time had been done by telephone. We had come to a blank spot as far as the schedule was concerned, to get on top of the situation better, to see where we were going with it from there or what.

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Q That meeting had not been set up a long time in advance, is that right?

A No, it had not.

Q It was set up over the weekend?

A Yes, I can't really say a meeting other than it was agreed that I would come [redacted] in the branch on Monday. In other words, it was not a scheduled meeting to [redacted] talk about this subject only; it was just to catch up as to what all had transpired.

Q By the time [redacted] Washington, when you arrived then, had the decision been made whether the [redacted] flight was to proceed [redacted]?

A Yes. But the decision was made that we were going to do that.

Q To do what?

A Go back [redacted] and not go back immediately, but that my understanding was that we may go back. This was during the day on Monday, or I would say throughout the day on Monday, that was my understanding, that we were not to make a second flight, but the possibility still existed.

Q Who were you communicating with on that subject?

A [redacted]

Q Okay.

A I am sure [redacted] being in the office all day, I am sure [redacted] was in on it as well, but [redacted] primarily since

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I was physically in the office at that time. That evening, by this time, we had moved him [redacted] to debrief the crew and find out what transpired and just to be closer to the thing, to collect the money we had not collected at that point in time.

That evening I was waiting on [redacted] to give me a ride to the hotel. He received a phone call from [redacted] had already left for the day. [redacted] received a phone call from [redacted] that they had to go to the OGC, Office of General Counsel's office.

Q By "they", who are you referring to?

A [redacted] and [redacted] invited me to go, which I decided was inappropriate, that I didn't need to be there. So I left and went to the hotel. [redacted] went to the meeting. Later that evening, he called me, and I have thought about this, and I can't say for a fact that he told me that evening that we were not to do another flight for certain, or if he told me that first thing the next morning, but either that evening by phone, which would have been 10:00-11:00 at night, or the next morning when I arrived in the office, the decision was made we should not and would not do any future flights.

Q It was [redacted] who communicated that to you?

A Yes.

Q Did he tell you why that decision was made?

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A I guess that the -- my understanding, it was not our show; in any case, I found this out only on Monday, that this was an NSC project and that we shouldn't be involved in it. I didn't question as to why the decision was other than that we would not do any more flights.

Q And you were told that either late Monday night or first thing Tuesday morning?

A Or first thing Tuesday morning, right.

Q What happened next?

A We went back to normal.

Q Did you go back that day [redacted]?

A On Tuesday, yes. [redacted] was still [redacted] I think until later that week and brought me the -- when he returned [redacted] and I don't remember, he brought me, he typed up an after-action report.

Q A particularly lengthy after-action report, is that right?

A Yes. I hand carried that to Washington on my next visit, and I honestly can't tell you when that was. It was the next week, I am certain, but I don't know the day of the week or what date it was.

Q By next week, you are talking early December, is that right?

A Right, sometime after the first week in December, I would say.

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Q You would have provided [redacted] after-action report to the CIA [redacted] is that right?

A Yes. To [redacted]

Q And I take it that is about where the story ends, is that right?

A Until you guys come on the scene.

Q I now want to ask a number of specific questions about the time period you have just described.

First of all, on the subject of what the cargo was, what exactly did [redacted] tell you in the first phone call about what the cargo consisted of?

A [redacted] to the best of my recollection, referred to it as sensitive cargo and gave me the dimensions. And we never discussed what was in the boxes.

My best recollection is that it was never mentioned during the time we were doing the flight. On the Monday that I spoke of that I was in the Headquarters Building in a conversation with [redacted] I relayed to him that [redacted] or the crew members, I should more correctly say, thought that it was missiles, and I relayed to him that the co-pilot had made a joke, I guess, that we should be firing them at Iran rather than flying them into Iran. That was the only substance of that to me.

Q In that conversation you are talking about that took place Monday at Headquarters, is that right?

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A By telephone with [redacted] yes.

Q I am confused now.

MR. WOODCOCK: It is two conversations he is talking about.

BY MR. CAROME:

Q First of all, let's --

A I had a conversation with [redacted] by telephone from Headquarters with him [redacted]

MR. WOODCOCK: When was that?

THE WITNESS: Sometime Monday after I arrived in Headquarters, the flight actually returned while I was en route to Headquarters, if I remember the timing correctly. And sometime later that day, on Monday, I was able to talk to [redacted] and find out the flight had been completed. And I got that from him at that time.

MR. WOODCOCK: That is the vehicle joke about firing the cargo rather than delivering it by plane, is that right?

A Yes.

BY MR. CAROME:

Q And [redacted] told you in that conversation that the crew and himself believed that the cargo had been missiles, is that right?

A I can't say that he said himself. I think he said, as he had gotten it from the crew, they believed it was missiles.

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Q Let's, if we can, focus in on this as much as we can. In the first conversation, that was the conversation with [redacted] is that correct? I am talking now about the conversation where you are being given the task of what is to be done. Is it [redacted]?

A The initial call I got was from, yes [redacted].

Q And this Exhibit 2 uses the phrase "sensitive high-priority cargo." Do you believe that is a phrase [redacted] used in describing the cargo?

A Yes, I think that was his words exactly.

Q Did you ask him more specifically, "What is the cargo?"

A No. We were on a commercial telephone, and I probably wouldn't have wanted to hear it over a commercial telephone beyond his description. He was being very guarded. Both of us were being very guarded over what we said over a commercial telephone. I was at 1600, I hope I was at my office; still I can't remember.

In any case, we were on a commercial phone. [redacted]

Q Did you suspect it was weapons?

A I don't think I speculated honestly. To me it was a flight. I think I remember questioning only the dimensions. There was some question, could we get those dimensions through the cargo door of the aircraft, and I

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don't think I speculated at any time during the time as to what we were hauling.

MR. WOODCOCK: Did you assume that he knew what the cargo was?

THE WITNESS: No. I don't think I did. I would assume -- yes, I would assume so, but I don't remember consciously at that time. Yes, I would assume that he would have known.

MR. WOODCOCK: But you don't recall an active assumption on your part that he knew what the cargo was?

THE WITNESS: No. No.

I think I previously mentioned that I have trouble recollecting who first mentioned oil drilling equipment, whether I got that from [redacted] or whether I got it in this mirage of conversations during the night, but the words "oil drilling equipment" had come into place, and it seemed logical to me at that time that maybe we were expediting a commercial shipment of some oil drilling equipment to Iran.

If I were speculating at all, I would have accepted that until [redacted] comment later as to what he thought the crew suspected it was.

MR. WOODCOCK: You don't recall whether you got that from [redacted] or CIA Headquarters?

THE WITNESS: I think I got it from [redacted], but I don't recall.

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MR. WOODCOCK: It could have been either place?

THE WITNESS: Could be.

BY MR. CAROME:

Q And it is your testimony that it was not until Monday that anyone said anything to you to the effect that the cargo was missiles, is that right?

A That is right.

Q That is the first inkling you had of that?

A Yes. And it was not confirmed even then. In fact, to my knowledge, it has not been confirmed to this day.

Q Did you pass along to anyone at [redacted] the fact that [redacted] had made this comment about missiles?

A Yes, to [redacted].

Q What did you tell him?

A As I mentioned earlier, the comment [redacted] had made about the co-pilot saying "We should have fired the cargo at them rather than hauling it in." And it wasn't a lengthy discussion, I think it was just in passing as, you know, while we were doing other things that day as well.

Q Did [redacted] act surprised?

A I don't remember him acting surprised, but then I don't remember making a note of it, like I say, it was in passing conversation more than anything else.

Q Did he say, "No, it wasn't missiles"?

A No, he did not deny it.

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MR. WOODCOCK: Who else was present?

THE WITNESS: No one. I think it was he and I standing in the middle of [redacted]. There was other people around, but nobody was within the conversation.

MR. WOODCOCK: Did you tell anyone other than [redacted]

THE WITNESS: No.

BY MR. CAROME:

Q About what time do you think that conversation took place?

A It would have to be in the afternoon.

Q As you said, you probably arrived at Headquarters around 10:30 a.m. that day.

A Right.

Q And when was the first time that date that you had a conversation with [redacted]?

A Shortly after my arrival into -- because I felt very bad that I had not talked to him. [redacted] so I am certain after amenities, whatever, I got into the Branch and made the phone call.

Q Was it in that first phone call Monday that [redacted] made the comment about missiles?

A I would guess, yes, I think I talked to him several times that day, but I would guess it would have been the

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first one.

Q Did [redacted] in that conversation indicate to you whether or not he believed the pilot's statement that it had been missiles?

A No.

Q He didn't indicate one way or the other?

A No, we didn't discuss it. I think the extent of our discussion was that he was going to remain [redacted], debrief the crew, and would return [redacted] give me a copy of the debriefing.

Q And that debriefing was taking place that day, Monday, Washington time I take it, is that right?

A I don't think so, because my recollection is that the crew had not made it back [redacted] that day. I think it was to take place at like the next day, Tuesday, or so. I can chase it through the paperwork and tell you where the aircraft was at that time, but my feeling for that now is that the aircraft had not made it back yet, so he had not had a chance to set face-to-face with the crew.

MR. WOODCOCK: What was your reaction when you received this information about the possibility of missiles being on the plane?

THE WITNESS: You mean personally?

MR. WOODCOCK: Correct.

THE WITNESS: I don't remember having a real

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reaction. I would have guessed that we were, you know, doing something at a much higher level than me to question it. In other words, I didn't feel bad about it, if that is what you are getting at. I would probably have felt that maybe, my personal opinion is that we were long-time delinquent in not having some sort of relationship with Iran from a geopolitical point of view.

MR. WOODCOCK: That is not what I am driving at. You testified earlier that Iran was on the list of prohibited countries, is that right?

THE WITNESS: Right.

MR. WOODCOCK: You have also testified, and your notes reflect, that the cargo being carried on this airplane was a large -- large volume boxes.

THE WITNESS: Yes.

MR. WOODCOCK: That is right?

THE WITNESS: Right.

MR. WOODCOCK: You then received information from [redacted] on November 25 that the large-volume boxes may well have been missiles.

THE WITNESS: Right.

MR. WOODCOCK: And being large-volume boxes, they would be large missiles presumably.

THE WITNESS: Right.

MR. WOODCOCK: Now, this would then be in

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contravention of long-standing U.S. policy, correct: that is, giving arms to Iran?

THE WITNESS: I can't say that I could make that statement. As I understand, after the fact, yes, I would say that it is. I must correct you also in that I did not make the natural assumption that it came from the U.S., as we had been involved in other countries shipping stuff in.

If I had to give you a feeling or impression as the flight materialized, I thought we were expediting -- I felt we were expediting Israel probably or a commercial entity getting the stuff in there.

MR. WOODCOCK: Let me back up then. I am speaking as of 11/25. You come to the CIA, correct?

THE WITNESS: Right.

BY MR. WOODCOCK:

Q By the time you talk to [redacted] had you been told this is a NSC operation?

A Yes, I think I was told that when I got into the building on that Monday.

Q So in any event, whether the arms came from the United States or not by the time [redacted] calls you, you have an understanding that if these are missiles, they are missiles being transported to Iran under some approval of the NSC, correct?

A Yes, that would be true.

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Q So now you received this information, and you simply mention it in passing to [redacted] is that correct?

A Yes. It was a report -- as I remember the thing, I hung up the phone, and as I was walking out to find [redacted] he was standing there in the middle of the Branch and we talked about the aircraft was located wherever they were, and the comment [redacted] made about the cargo.

It wasn't a formal report. It was saying by that time we knew the cargo had been delivered, we knew our aircraft was safely out of Iran, we already knew that, and that was kind of a followup, if you will, that let him know of the conversation I had with [redacted] and the agreement I made with [redacted].

BY MR. CAROME:

Q Was it [redacted] who told you it was a NSC mission?

A Yes.

Q And, again, did he exhibit any surprise when you told him about the pilot's comment that it was missiles?

A I don't remember him being surprised or acting surprised or --

Q Did he act like he already knew that information?

A I don't have a memory of him reacting to it really other than I just said -- didn't pick up on it and we didn't discuss it further than that. I didn't get the impression

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he was evading discussion of it either. In other words, it just, you know, I didn't form an impression of that.

Q Did it seem to you that that was information he already had, did he react that way?

A I can't say. I honestly don't remember a reaction, period. I think it was just that I passed it to him. The only reaction I can remember that [redacted] demonstrated to me through that whole day, as a matter of fact, when I was there personally was that we had managed to do a good flight, and he was very, you know, proud, as I was, that we had pulled it off and nobody got hurt. We felt we come through looking pretty good on the thing, that my crew had successfully delivered the cargo, whatever it may be, and had made it out of the country without any problems, because there was a certain amount, at least on my part, apprehension because in that part of the world you don't know what is going to go wrong.

MR. WOODCOCK: I gather he didn't deny that it was missiles?

THE WITNESS: No. No.

MR. WOODCOCK: He didn't try to correct any impression that you may have had that it was missiles, is that right?

THE WITNESS: No.

MR. WOODCOCK: You did not mention this to [redacted]

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[redacted] is that correct?

THE WITNESS: No, I don't think I did at all that day. To my recollection, trying to think of this after the fact, I think that was the only time it was mentioned of what the cargo was. To me, it wasn't that big a deal what the cargo was. The big deal to me was we made the flight and got out okay.

MR. WOODCOCK: You later learned that day that [redacted] was going to brief the General Counsel on this flight, is that correct?

THE WITNESS: That evening, yes. That wasn't a briefing, he was going to meet with the General Counsel with reference to this flight.

MR. WOODCOCK: You understand it was this flight that was the subject of that meeting, is that right?

THE WITNESS: Yes.

MR. WOODCOCK: You didn't take it upon yourself to say, "Look, [redacted] you ought to know there is a possibility that this flight was carrying missiles"?

THE WITNESS: No.

MR. WOODCOCK: Why not?

THE WITNESS: I don't think it was germane to the thing at the time. As a matter of fact, we were getting our coats on, in the process of locking the door to leave, when he received the phone call that they had to go to the

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General Counsel's office, and he said, "Do you want to go?" Or something to that effect, and I said, "I don't think that I should be there. I will go on to the hotel. Call me later."

BY MR. CAROME:

Q Why did you not think you should be there?

A [redacted] I try to keep my profile as low as possible so it gets around the building as little as needed, as well as around the community.

Q Did you have any indication that [redacted] was already aware that it might be missiles on the flight?

A If I had to make a statement, I would say that he -- not necessarily that he was aware of the missiles, but he was aware of the flight. He had more knowledge of the circumstances of the flight than I did or had a need to know, because he obviously was inside the building working this thing the whole weekend, as [redacted] was.

Q Now you understand that both [redacted] were at CIA Headquarters over the weekend?

A Yes.

Q "Working the flight", as you say?

A Yes.

Q Okay.

A At various times singly, and other times I would

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talk to one, and three minutes later talk to the other at the Headquarters Building.

Q How do you know that?

A That they were at the Headquarters Building?

Q Yes.

A I guess I would have to say that I felt that is where they were at.

Q You were making phone calls to them, is that right?

A And that is where the phone was being answered, and when they called me, I had no way of knowing where they were calling from, but maybe I made that assumption that is where they were.

Q But you made calls to Headquarters?

A Yes.

Q And spoke to both [redacted] at some point and [redacted] at some point at CIA Headquarters, is that right?

A Right.

Q In that initial phone call, did [redacted] tell you what it was that made this a sensitive cargo or what it was that made it a high-priority cargo?

A No.

Q Did he mention that --

A Maybe I should have that question again. I don't remember that anywhere other than the fact he said it was sensitive, high-priority cargo, and he gave me the weight

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and dimensions.

Q And those are the weights and dimensions shown in this Exhibit Number 2, is that right?

A That is correct.

Q I take it, from your testimony, that you didn't learn of the NSC aspect of the mission until that Monday, is that right?

A That is correct.

Q Neither [redacted] nor [redacted] told you about that at the time, is that right?

A No.

Q Did you speak to [redacted] at all about this flight?

A No. First time I saw [redacted] I guess, was on Monday, and I had the impression that it was a bigoted project within the Branch, because he never attended any of the meetings or discussions that I had with [redacted] or with [redacted] that day. In other words, he was out the whole weekend. I don't know if he was out of town that weekend or what. I never discussed the flight with him, though, no.

Q How about [redacted] did you ever discuss the flight with him?

A No. No.

MR. WOODCOCK: Did you see him there at all?

THE WITNESS: No. I didn't even see him that night when he and [redacted] left to go to OGC. [redacted] met him apparently

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up front of the building, or something.

BY MR. CAROME:

Q Was [redacted] office down in the [redacted] room?

A No.

Q He was in another part of the building?

A Yes.

MR. WOODCOCK: Did [redacted] tell you why it was that he was going to brief the General Counsel?

THE WITNESS: No. He didn't know himself. I say that, that was my impression, he didn't know himself, because we were on our way to get a drink and take me to the hotel when the phone rang, and he hung up the phone and said, "I have to go to see", not brief, "see the General Counsel with [redacted]"

MR. WOODCOCK: He knew the topic.

THE WITNESS: He didn't say the topic.

MR. WOODCOCK: But you understood the topic to be the flight, is that correct?

THE WITNESS: Right. I don't know why.

MR. WOODCOCK: If he didn't say the topic, why did you think it was the flight?

THE WITNESS: I don't remember him saying the topic. I just have that feeling that I knew that that is what it was. I don't know where I got that from. As you ask the

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question, maybe he did say, reference your flight or something, I don't know.

MR. WOODCOCK: You knew he invited you along, however.

THE WITNESS: Yes.

MR. WOODCOCK: Presumably he did that because he presumed you had information that might be relevant to whatever he was doing with the General Counsel, is that right?

THE WITNESS: Yes.

BY MR. CAROME:

Q Also, I take it, you were aware that this flight was probably the major matter on which --

A That day.

Q [redacted] had worked on over the weekend and that day, is that right?

A Yes. That is true.

Q Do you know who it was that asked [redacted] to speak to the General Counsel?

A It was my understanding that it was [redacted] on the phone. I didn't ask. I guess he informed them they were going to see the General Counsel.

Q Did you at any time learn that this cargo movement was associated with an effort to free hostages?

A No. Not until the first call I got reference you guys investigating it, and the television coverage in

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whatever, November, '86, or whatever timeframe that was.

Q Did you know at the time who Copp was?

A Not as this developed. In November -- sorry, sometime after this, after I turned in the after-action report and the subject come up one day, I am not sure in what spirit or whatever, I was given to understand from [redacted] that Copp was Lieutenant Colonel North and that was in passing. There was no real reason to have said so or anything else. And I accepted that.

I had never talked to him or never had any dealings with him. He was the guy that had contacted [redacted] until, what, last week or two weeks ago, when General Secord was on the television, and in another conversation with [redacted] he made the comment to me, "What did you think of Copp's testimony?" And the next time I said, "I thought North was Copp." "No", he said, "I did, too, at one time. But Secord is Copp." That was the extent of my knowledge.

MR. WOODCOCK: Was that the first time that you knew that General Secord was in any way associated with this flight?

THE WITNESS: With this flight, yes.

MR. WOODCOCK: That is when you heard him identify himself as Copp on the television?

THE WITNESS: I didn't hear that, but [redacted] made that comment to me.

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BY MR. CAROME:

Q When was the first time you heard North's name in connection with this flight activity?

A I never heard his name connected with this particular flight. Later in May of '86, we made another flight to which I was told that McFarlane would be a passenger on the flight. After that flight, I was told that North was on the flight as well -- after the flight, not prior to the flight.

Q When did [redacted] make his comment that Copp was North?

A This was in, this first came out in November, '86, late November, '86.

Q If we can go back to the initial conversations, what did you understand to be the CIA's role with respect to this flight activity?

A My understanding was we accommodated someone, whether it be Israel or who it was, at the time of the flight, now, obviously found out since then that we were deeply involved, I guess within NSC or whatever, through the media or whatever, but at that time my feeling was that we were accommodating the flight taking place.

If I had consciously knew what I thought at the time the flight was taking place, it was probably Israel shipping some stuff to Iran and was having trouble arranging

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air transport, and we had this as an accommodation to them.

Q This flight was handled quite differently than the way a normal commercial flight would be handled, is that right?

A No, I would say it was handled more like a commercial flight would be handled than a normal operational flight that we may be involved in, in that our crew dealt with an individual on the ground in Tel Aviv, [redacted] dealt with an individual by the name of Copp and later by the name of Swimmer, as far as the money transaction portion of it and so forth. So it would be as if a regular commercial flight in that sense. I may have not understood your question.

Q Let me see if I can sharpen it a little bit. You were in almost hour-by-hour contact with [redacted] during this flight activity throughout that weekend, isn't that right?

A Yes. In that regard, yes, you are right.

Q That is quite different than the way a normal commercial flight would be handled by [redacted] isn't it?

A Yes.

Q In fact, usually you wouldn't be in contact with [redacted] during the course of a normal commercial flight, isn't that right?

A That is true.

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Q And also you knew that the [redacted] people were in on a weekend actively following and monitoring this flight activity, isn't that right?

A Yes.

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#4 bp-1
2 p.m.

MR. CAROME: And that wouldn't happen during a normal commercial flight?

THE WITNESS: No.

BY MR. CAROME:

Q And in fact you even [redacted] to Washington to speak to people at [redacted] Headquarters specifically about this flight; is that right?

A Yes.

Q And that never happened with respect to a regular commercial flight; is that right?

A Yes. I misunderstood your question. I'm sorry.

Q And it was clear to you that this was while maybe the CIA--let me withdraw that question.

It was clear to you that this was a flight that the U.S. Government was interested in; is that right?

A Yes.

Q Wanted it done?

A Right.

Q And [redacted] was aware that you were checking in regularly with CIA headquarters, isn't that right?

A Yes, he was.

Q I gather that frequently when over that weekend [redacted] called you, you would relay what [redacted] was saying to [redacted] or [redacted] is that right?

A That is true.

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Q And you would pass messages from [redacted] to [redacted] as well?

A Yes. No messages direct to him, but impact of the flight, what was the decision as to what would be done. In other words, giving me guidance that I would provide him with.

Q Was this the only special flight that you are aware of where payment was made to [redacted] by a private person?

A Yes, it is.

Q And you saw this as a special flight, as a U.S. Government special flight, right?

A Yes, I did.

Q What did you tell [redacted] namely; about how to go about negotiating the price? I think you mentioned something before on the subject, but I want to pursue it a little further.

A I told him to treat it as a normal commercial flight. He said, "What should I charge," because we had conversations as to availability of the aircraft and the fact that it was looking like a regular commercial flight. I said, "Make money off the flight, but you neogtiate the price and you deal with Mr. Copp directly, and you collect your money with Mr. Copp." Because we also had questions on the earlier phone call as to how we were going to by gas because we were going in cash for the

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the crews to walk around with. I told him Mr. Copp should make those arrangements directly.

The only statement I told him was we being the agency want you to make that flight, but deal with Mr. Copp financially and the details of the flight.

Q Are those pretty much the instructions that you received from [redacted]?

A Yes.

Q And was it your understanding that the initial arrangement reached between Copp and [redacted] was to make 3 to 4 consecutive flights using both airplanes for a fee of $60,000 plus various expenses -- that seems to be what your written report here reflects.

Does that conform to your recollection?

A Yes.

Q And you understood that these three flights were going to take place between Tel Aviv and [redacted] according to the original plan; is that right?

A The original plan, right. The original contact. There was some discussion and the reason I was checking my notes here, there was some discussion that they were saying three flights. Our crew was saying they would never get it on three flights, the number of boxes, because of the shape and the way we were having to load.

That is why I was checking back to see how many

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flights we were talking about. In other words, the discussion was internally. The guy on the ground was saying three flights, and the crew said we will never do it in three flights.

Q Who was the guy on the ground?

A Schwimmer was saying three flights, and the captain was saying they would never get that on three flights.

Q There were 80 pieces to be moved? It is hard to read, because of the copy.

A I think that is 80. It looks like 80. I don't remember it. If I could see it better, I could tell you -- yes, 80.

Q The record can reflect that the witness was looking at a somewhat clearer copy of Exhibit 2.

Did you have any other discussions -- let me back up a little bit. I take it that [redacted] told you what the terms that he negotiated with Copp were at about the time that this was all happening; is that right?

A Yes, he did.

Q And did you say that sounds good or that -- what did you say?

A Yes. I think I probably said okay or it sounds good. I am not sure what I would respond, but it was okay by me in any case.

Q Did you later that weekend revisit the question of

bap-5

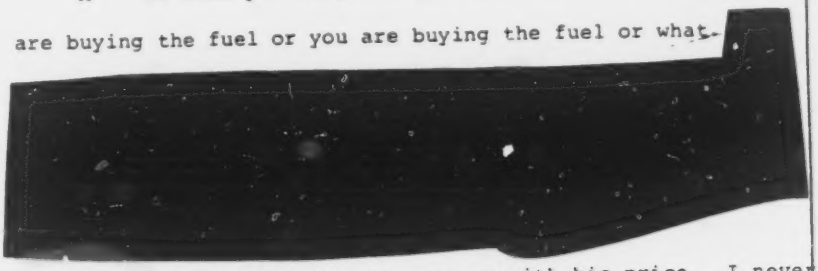
what the customer would be charged?

A [redacted] asked me what to do about the one aircraft that we had taken in there and let the aircraft sit, and then had to turn around and send it back home; what should he do about charging the customer for that. My statement to him was that it was a commercial contract. Charge him as you would any other commercial contractor, positioning and depositioning cost of the aircraft.

At that time I knew the price would change from the previously agreed upon $60,000.

Q Do you know what the basis would be or how you would figure the additional charges?

A So much per flight hour depending on whether they are buying the fuel or you are buying the fuel or what.



I don't know how he came up with his price. I never made an attempt to find out.

Q If you would refer to page 2 of your hand-written notes about five or six lines down, there is a reference to the fact that manager indicated this was the same load he had earlier reported to us [redacted]

Do you know what that is a reference to?

A Yes, that was the 13 flights [redacted] to Tehran.

Q And that was something that [redacted] had earlier reported to you as being munitions or armaments; is that right?

A Right, on the market, right, to use his words.

Q Was it [redacted] question at that point in part --"Isn't this the armaments [redacted]

A The question was not armaments, I don't think. The question was the same flight.

Q But he was then referring to --

A He was referring to the armaments or the same cargo, right.

Q Had [redacted] ever told you that he -- let me rephrase that question.

When [redacted] described to you the armanent shipment [redacted] did he make any mention of the fact that it was big boxes and small boxes?

A Yes. [redacted]

bp-7

Q Part of what I was asking was did [redacted] say anything about that flight or that cargo being in part very large boxes and in part smaller boxes? Did he talk about two different sizes of boxes?

A No, I don't recollect that. I asked him how did he recognize it, and he said because of the size of the boxes I had related to him was how he mentally made the association, because the destinations were different. I was telling him from Tel Aviv to [redacted] and he was [redacted] to Tehran, so he was saying there was the first leg of the flights [redacted]

Q Did [redacted] ever describe to you this cargo [redacted] being a mixed cargo, part armaments and part something else?

A I don't recollect him saying that.

Q As far as you understood it, it was a shipment of

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armaments; is that right?

A Right.

Q I take it he posed this question to you: "Isn't this the same flight [redacted]" And you told him, no. Is that correct?

A That is right.

Q Why did you say, no?

A To stop the discussion because it was leading nowhere. I had no way of knowing and didn't see it germane to this flight. Should I go to headquarters and ask them -- part of the dealing with a guy like [redacted] is sometimes you find yourself trapped into talking about more than you should talk about to get the job done, so that was my effort, to shut him up on that point and let's get to doing the flight and not worry about if it was a previous flight.

In fact, I never thought about it later.

Q In the conversation in which you denied it was the same flight, I think you were placing it in time as having occurred after the destination was changed [redacted] to Tehran. Does this review of your handwritten notes that we have just done change your recollection and in fact indicate to you that actually that conversation took place earlier?

A I may have misspoke. I understood that it took

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place earlier before I knew the destination. The only destination I knew was from Tel Aviv [redacted] I presume he was making the connection these guys were going to Tehran with this stuff ultimately, and I stopped the discussion at that point.

Q The next sentence of your handwritten notes, it is difficult for me to read, but it seems to say if we decided to this -- I'm sorry, maybe you can read it better than I. If you could read the next sentence of this report.

A It says, "If we decided to do this, he indicated he needed to [redacted] coordinate and take money."

Q I take it that the "he" there is [redacted] is that right?

A [redacted] yes.

Q Did he [redacted]?

A No. In fact, I think in the next sentence --

Q What does the next sentence say?

A It says I passed this on to -- I presume that was Chief [redacted] and he, Chief [redacted] and Dewey, period. That is Dewey Claridge. He called back that they were considering it, but did not want [redacted] to get out of touch with the customer long enough to make the move, and that is when I told him not to go.

Q I actually see in looking at this paragraph in

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your notes that by this time the subject of taking the cargo to Tehran had in fact come up. I see the sentence before the first one we were looking at makes a reference to Tehran, again on page 2; is that right?

It appears to say -- "The customer also requested we further move cargo to Tehran."

A Yes.

Q So that ultimately perhaps in fact the conversation you had about whether or not this was the same cargo that had been turned down perhaps did come up at the time when the Tehran location came up?

A I am sorry, I misspoke.

MR. WOODCOCK: In fact, if you refer to the page immediately preceding that, this appears to be 1,000 hours on the 23rd; is that correct?

THE WITNESS: That is correct.

MR. WOODCOCK: One thousand hours is 10:00 a.m?

THE WITNESS: Yes.

[redacted]

BY MR. CAROME:

Q I take it that what was being passed to [redacted] and Dewey was the new destination of Tehran; is that right? Is that what you were referring to here?

A Yes, as well as the fact that [redacted] thought he

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bap-11

needed to go.

Q You used the name, "Dewy," here in this document. I take it that that meant Dewey Claridge; is that right?

A That is correct.

Q How did you know that Claridge was involved with this operation?

A I know that [redacted] must have told me that is who he had to clear it with or who he had to discuss it with. I don't remember [redacted] ever mentioning Dewey, but I do know that [redacted] in this instance said he would talk to Dewey and would call me back.

If you want to make an assumption, I assume that Dewey, knowing his job in that area of the world, maybe he would be involved.

Q Did you understand throughout that [redacted] was dealing with Claridge on this mission?

A That was the only other name I heard, yes.

MR. WOODCOCK: Had you heard it before you noted it here?

THE WITNESS: I don't think so. So this instance, page 2 of this exhibit -- when he said he would talk to him, yes.

MR. CAROME: The next sentence I would you read it and tell me what it means?

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bap-12

THE WITNESS: He called back that they were considering it, but did not want, I presume that is [redacted], to get out of touch with the customer long enough to make the move.

BY MR. CAROME:

Q Do you understand what that meant?

A Yes.

Q What did that mean?

A That meant that he was constantly talking to the customer by telephone, and if he left his quarters or home to [redacted] to meet with the customer, he would be out of touch for the period of 10 or 12 hours that it would take to fly over there commercially.

Q In any event [redacted] at some point--perhaps later this day or some time on Saturday, did go over [redacted] You understood that; is that right?

A Yes. I think it was Sunday, but I don't know -- I would have to read through and see if I could figure out when it was.

Q There is some writing on this page 2 of Exhibit 2, which runs vertically up the page. Can you tell me what that means?

A No, I couldn't. I don't have any recollection as to what it meant. I am sure it meant something at that time, but it doesn't now.

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end #4

#4a flws

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#4a
CAS-1

Q Can you tell me what it says?

A 2:00 p.m. Looks like 4:00 p.m. [redacted] and I am not sure what the other one could be. It looks like a word starting with [redacted] or something.

Q Do you know what the word [redacted] that appears towards the bottom of the page refers to?

A I would think -- I recognize the word -- it was actually [redacted] I suspect, was the name of the fuel company or the people at [redacted] that we were using to handle the aircraft as it landed. With a large aircraft, you have to have setups, you have to have ground power, air and that type stuff.

I don't have a firm recollection of that is what it is, but since I have not used that name or seen it since, then I suspect that is the name he gave me that was doing the handling of the aircraft while it was on the ground at [redacted]

Q Turn to the next page of Exhibit 2. Do you have any recollection of what the first two lines say or mean?

A At the very top?

Q Yes.

A [redacted]

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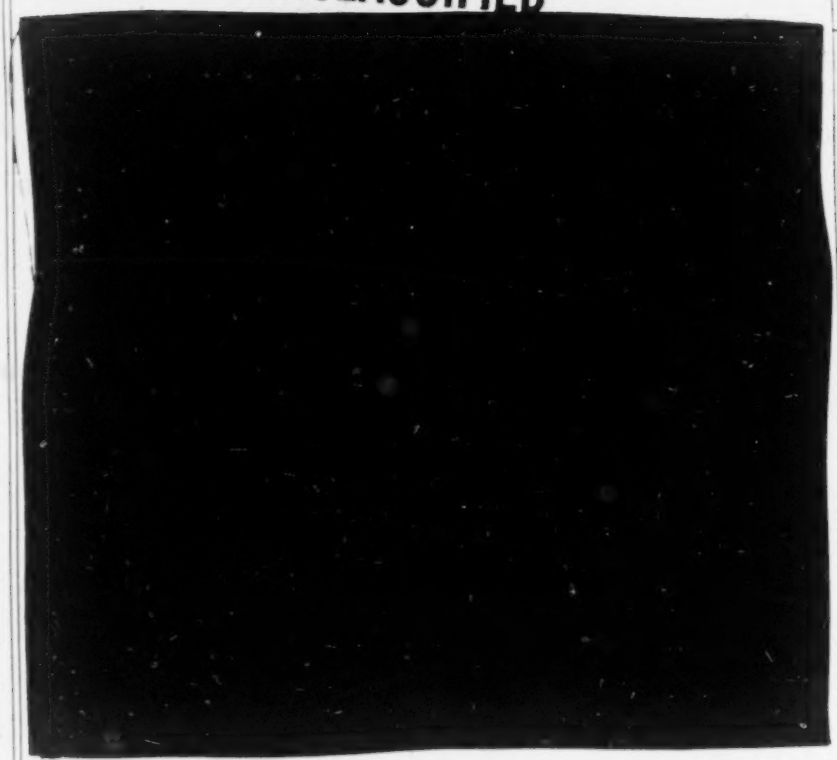
AS-2



Q Are there parts of this third page that do relate to the [redacted] flight that we have been talking about?

A In the center of the page where it says "routing", that is back on the [redacted] flight.

Q What about just above that, the few items above that? Do they relate to the [redacted] flight?

A No. [redacted]

Q So when you get to the middle of the page where it

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says routing those are again relating to the [redacted] flight?

A Yes.

Q What do those entries mean?

A Apparently I was asking him for the routing, the entry/exit points and time, estimated time of departure for [redacted]

I made a note "no direct routing available, expect indirect routing, planned route dangerous" and I wrote the word "normal". I presume I wrote the word "normal" as saying although told it would be dangerous, it would be normal.

Q Why was "dangerous" used in these notes? Was that -- was that [redacted] phrase?

A I think that was [redacted] phrase, yes. I wouldn't want to be specific on that because I don't remember, but I do think it was [redacted] statement.

Q Can you tell what the remainder of the notes on the page refer to?

A "Eight miles a minute." That would be the first entry you are looking at. [redacted] whatever that -- that must be one of the FIR boundaries, " minutes after takeoff".

Q Would that be [redacted]

A Yes, and I say that because of where it is positioned on the paper, more than memory.

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The other position was [redacted] Apparently I started to write [redacted] something or other, and changed it as to an hour and 24 after [redacted] Tehran was [redacted] minutes after I presume [redacted]

Across the page from it I am not sure what those are, "1400 local, 1600 local estimated time of departure". Probably converting time.

Q What about the reference to Tabriz?

A There is a time next to it. If I could look at a map, I could almost tell you. I assume that Tabriz is the northwest corner of Iran.

That is what the notes mean to me now in any case.

Q Did you have discussions over that weekend about the flight possibly going to Tabriz?

A I don't recollect that, no.

Q As far as you are concerned, that subject just didn't come up?

A Yes. I don't recollect it coming up.

Q Can you tell what the remainder of the notes at the bottom of the page mean?

A "In air [redacted]", that, I presume, would be reference to the U.S. registry aircraft.

Q The aircraft that didn't go to Iran, is that right?

A Right. And the note beside that would be "aircraft ready but no money, no traffic rights, and no guidance."

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This apparently was the note -- a call from [redacted] notes I made as a result of a call from [redacted] that we are ready to go, but we don't have money or guidance or traffic rights.

Q Is there a time there?

A It looks like 9:50.

Q Would that be local time?

A I would presume so.

Q If you could turn to the next page and the last page, do you have any idea what the [redacted] reference is, the second line?

A If I am not lost -- this apparently was taking place while they were [redacted] they were discussing how to transit [redacted] That was something that [redacted] had passed to me that they were going to have to go [redacted] and I am not sure what the "8,000" meant. It could mean altitude, but I don't think that is the case.

"The guy at load site says [redacted] 8,000, can go in two" and I presume that is two hours.

"At 1150 I received a call they had released the aircraft based on people at the site, assurances of traffic rights." That would be [redacted] traffic rights.

Q What does the next reference refer to?

A I write bad enough, and the copy is bad. I think that is [redacted] but I don't know. If I could see the

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original -- "ETA" estimated time of departure, and then it says "slant via" -- I am sure it meant something to me at the time, but it doesn't now. ETA is estimated time of arrival; ETD, estimated time of departure.

Q What about the bonus for employees reference?

A [redacted] must have mentioned whenever we get through we better pay these guys well. This was after the discussion that the captain had talked himself out of trouble [redacted] rather than us helping him out of trouble [redacted]

Q What about the next --

A I say here that we have to de-fuel and land at [redacted] 6,000. That is the fuel we would have to take off. I am not sure why that came up at that point.

As you can see, I was getting tired of this thing and my notes get worse as time went on.

Q This is actually very helpful to have you decipher some of this.

What does the next line refer to?

A "1400 hours to unload." [redacted] is telling me what the captain reported to him -- to onload, not unload. He said there were two groups of people in Tel Aviv.

Q Do you know what that meant?

A Apparently they were dealing with two groups of people in the loading process. I think he refers to that in

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his debrief later on, the confusion going on in Tel Aviv and that they were apparently being told not to come back direct, but to go [redacted]

He was saying something, speculating that at the rate they were going to go it would take 24 hours to load one aircraft. They are very rich guys, in reference to Schwimmer. I found out later that is who he was referring to.

Q And that is the person he was dealing with in Tel Aviv?

A And talking to and about what the captain was dealing with.

MR. WOODCOCK: Directing your attention to the prior page, at the bottom of the page, I believe there is a reference already to Schwimmer. So you already knew that Schwimmer was involved by that time?

THE WITNESS: I knew the name, yes, or he had relayed that name to me, yes. In fact, I think he related to me that the captain was in Schwimmer's home in Tel Aviv during the phone conversation, because I was concerned that this was taking place over HF radio and he denied it, "no, no, I am not stupid."

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BY MR. CAROME:

Q What about these series of numbers then between the "very rich few" reference and the jiggly line?

A They obviously have to do with estimated times of departures. I would guess the first on the right side -- I am not sure of the one on the left -- depart T, looks like I scratched in 15, I don't know why. I would take that now to mean Tel Aviv at 2000, arive [redacted] and depart [redacted] arrive Tehran 0010 on 24, depart Tehran 1410 Zulu on 24.

I am guessing that those were the times we were estimating rather than the actual times. I would have to go back to his report to give you the actual times I guess.

Q And below the jiggly line can you tell me what those two lines say and mean?

A That is in reference to my earlier comment about when the aircraft landed [redacted] they were in trouble because they had no cargo docks or no manifest of any form to give the people and it was -- the appearance was they were not expecting them as they had been led to believe that everything would be okay on landing, not to worry about it.

Q And the second line there, can you tell me what that says?

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A I think it says will check [redacted] but I can't tell you for certain.

Q What does that mean?

A Well, because of where it falls in the sequence, [redacted] being in our cryptic conversation over the telephone that I would say to [redacted] "that I will call [redacted]" meaning CIA Headquarters and find out if I can get him.

Q [redacted]

A [redacted]

Q I see, just [redacted] meaning --

A We refer to [redacted] as [redacted] or, [redacted] for the CIA, and Europe is [redacted] usually when we are discussing these things on the phone.

So it looks like a [redacted] and a check mark and the word [redacted]

Q Can you do the same description or explanation of what the remaining references on this last page of the document Exhibit 2 refer to?

A As I had mentioned earlier I called [redacted] asking for help to get the aircraft captain out of trouble and get the aircraft moving and had received the word that there would be no help forthcoming that we could not intercede at this point, that he would have to get

m3

himself out of trouble. As I returned the call to [redacted] to tell him that, he reported to me the aircraft was just off, just airborne I guess is what that would be more appropriate.

And that they were airborne 2.5 hours after landing and I can't tell what the time is over this, this is blocked by the [redacted] He gave me an arrival time apparently for someplace.

Q Then there is a reference to [redacted]

A Yes. That was our planned, where they would go for crew rest unless we told them to go [redacted] told them otherwise. I presume that would be the time we estimate they would be [redacted] or time enroute [redacted] would be more appropriate.

Q As I understand from your testimony earlier, the plan was to make a decision after the first flight had gotten to Tehran whether or not the additional flights would take place, is that right?

A I knew at the time we were making the first flight we would make only one flight and then we would maybe get approval for the second. In other words it would be decided at that time. I had passed that to [redacted] We were not automatically going to go back and make a flight. You know, it is not to be that obvious that that is the case. In other words it -- he had approval

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to make one flight from me although they were talking three flights at one time, and I think five was even mentioned and his question to me, as I recollect, was "do we do all five flights without checking back in?" I said "No, we will make this flight and then we will determine if we go beyond that."

Q Let me see if I can sharpen this point a little bit. I take it originally that it was going to be fine for there to be three flights from Tel Aviv to [redacted] is that right?

A I don't think so. I think what I am saying --

Q I am talking to Tel Aviv to [redacted]

A Tel Aviv to [redacted] yes, sorry.

Q When you were in the original plan there would be no question that you move the whole load, there would be a series of flights, is that right?

A My understanding was that we would move the whole load, whatever the load was, yes.

Q I take it then that when the subject of going to --

A -- to Tehran came up --

Q When that subject came up that you then got in touch with [redacted] and at that point [redacted] told you we are going to do these one at a time?

A That would be my recollection, we will do one

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and evaluate and see whether or not we do any more.

Q And do you recall who it was you were talking to on that particular subject?

A No, I can't.

Q Would that approach have been adopted in the first telephone call or first conversations you had with [redacted]

A After the Tehran destination was determined, yes.

Q Who made the decision that a second flight would not happen right away?

A Not happen right away?

Q That is right.

A In other words the possibility existed still of a second flight?

Q Yes, I take it that --

A That would have been --

Q Let me see if I can break it down into more than one question.

There was a decision to be made after the plane had landed in Tehran whether the plane would return [redacted] or return [redacted] is that right?

A That is correct.

Q And if it returned [redacted] that would have meant that you were going to pretty much just continue on with the operation with consecutive flights, is that

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right?

A That is not true. The return [redacted] would have meant that they were going to crew rest and before they took off again we would have made a decision whether they would go in fact back or not.

My recollection is that [redacted] on his own made the decision to divert [redacted] as a result of the way things were going even though we had not said there would not be a second flight. He was waiting on the signal from me to know whether we would go back at all.

Q Before you gave him a signal to go [redacted] he made a decision to [redacted], is that right?

A When the crew was airborne if my recollection is correct, after they were airborne from Tehran and he apparently -- they gave him some feel for what had transpired on the ground and he told them at that time to go ahead and [redacted] rather than [redacted]

Q Did that reflect his desire to no longer be involved in this operation?

A I would say no. He had never indicated that "I won't make another flight if you say make another flight" but it probably reflected his feeling that we would probably not do it. Again because it went so bad. That is, we had the problems [redacted] the problems with [redacted] overflight and the limitations that the

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captain received from [redacted] controller as he was leaving that they would not allow him back through next time unless [redacted] had been coordinated with and those types of problems that were unforeseen and would have been expected to have been taken care of by someone.

From that standpoint he made a decision while on the radio with the guy to tell him to divert [redacted] and call him [redacted]

Q In fact --

A Some of that is speculating as to how he did that but that is my understanding and my acceptance of the way we went.

Q So he told you that the plane was on its way back [redacted] after he made the decision to take it back?

A Right.

Q To [redacted]

A Right.

Q What did you tell him when he said that to you?

A I am sure I said okay, I will get back with you -- or something to that effect. I didn't have any objections to that, in other words, I concurred with him.

Q Had you at that point already learned from [redacted] that CIA wanted to bail out of the operation?

A No. No. It is not my recollection that that is the case.

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Q This would by now be sometime Monday morning when the plane was airborne after leaving Tehran.

A I think so. What time was it? I think it is Sunday night or early Monday morning before I left for Washington. Let's see, 1900 GMT would be, must have been Sunday afternoon. You probably have another sheet that would make that clear as far as where the aircraft was when.

MR. CAROME: Why don't we mark this as the next exhibit.

[The document marked Exhibit No. [redacted]-3 follows:]

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BY MR. CAROME:

Q I show you what has been marked as Exhibit 3 to your deposition. Do you recognize what that is?

A Yes, I do.

Q That is [redacted] typewritten report to you on the flight activity, is that right?

A That is correct.

Q Can you tell from this document when -- would this document refresh your recollection as to when the flight departed from Tehran? I believe if you go to page 6 there is a reference to the return flight.

A [redacted] on the 25 November.

Q And that would have been by my calculation --

A [redacted]

Q On Monday afternoon, is that right?

A That is correct.

Q So that it was sometime Monday afternoon that [redacted] made the judgment to take the plane back [redacted] rather than [redacted] is that right?

A Yes.

Q And it was sometime Monday afternoon that he told you that he had made that decision, is that right?

A That is correct.

Q Did you tell him any time Monday afternoon whether it was CIA's desire that [redacted] not be further involved

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in this operation?

A No. I know I didn't because I didn't know that was the case at that time. I felt we were not going to make another flight until I had received instructions to do so. The feeling during the day on Monday was that we probably would not be making another flight. It had not been decided we would or could or whatever until that night when I got the call from [redacted] or Tuesday morning, like I say I have trouble recollecting that. My recollection was Tuesday and since conversation with [redacted] you know, there is no doubt in my mind he may have told me about midnight that night or whatever time he called me.

Q What were the discussions you were having at Headquarters on Monday? What were they related to?

A I think I had made the position that if we were going to make another flight that we best get better organized or we were going to lose an airplane and crew because of the problems we had experienced [redacted] because of the problems we had experienced going in [redacted] that, you know, obviously the first one was an impromptu thing, we threw it together, and did it in a hurry. Let's take the necessary time if we were going to do a second or third flight even, let's take the necessary time to make sure the proper clearances and so forth were in place and it is my remembrance that part of that day

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was spent addressing those issues and although I wasn't a party to those meetings my only contact that day was with [redacted] and [redacted].

Q What meetings did you understand were taking place that day?

A I don't know that there was a formal meeting other than them going and talking to other people. I don't know who the other people would have been.

Q Who is "them" that went and talked to other people?

A [redacted] and [redacted] In fact I think it was more than [redacted] than [redacted] in that case. I think [redacted] was back running the whole thing at that time.

Q You don't know who it was who he was talking to?

A No.

Q Were you aware that a Spot report had been prepared that day?

A No.

Q Let me just show you that document to see if it might by chance refresh your recollection.

[The document marked Exhibit No. [redacted]-4 follows:]

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BY MR. CAROME:

Q I show you what has been marked as Exhibit 4. It is a Spot report dated at the top 25 November 1985. For the record, I believe that this was a document prepared by [redacted] Does that document refresh your recollection on that subject?

A I have never seen the document.

Q Were you aware on Monday, that Monday that we were talking about, Monday the 25th that a report of the weekend's activities had been made to John McMahon?

A No. I couldn't say that I was. I would have probably assumed as such but I can't say that I was aware that one had been made.

Q Why would you assume that?

A Having worked for the Agency [redacted] knowing that we don't do many things without the DDO at least knowing what is going on, that OGC even in most cases I assume would have blessed it legally or something. That would be an assumption on my part.

Having been the proprietary case officer that would have been the normal procedure, once it was put together you would take it through the different elements to make sure you had their blessings and that you were in consort. So from that knowledge I would assume that that would be the case.

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Q So this would have been a type of operation that you would have thought would have been blessed in advance by the Office of General Counsel, is that right?

A Yes.

Q Did you later learn that was not the case?

A No, I can't say that I ever learned that it was not the case. I do know that after [redacted] meeting with the Office of General Counsel it was determined that he should not make any more flights. I don't know that I was ever told that we should not have made this flight, if that is what your question is.

Q But you didn't hear anything that Monday about Mr. McMahon being very angry or having hit the overhead when he heard that --

A No.

Q -- that [redacted] had made this flight?

A In fact that surprises me because I think everybody was elated, you know, was very happy that we accomplished the flight. That was my impression of my contact with [redacted] and [redacted] that we had been, you know, been successful in making the flight happen.

Q Did you see Mr. Clarridge at all on that Monday?

A No.

Q And what were you doing that Monday in the Headquarters?

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A Geeze, I -- other than having conversations with [redacted] and [redacted] and I am sure I was meeting with [redacted] in reference to [redacted] My recollection goes that we did spend time discussing that problem.

Q This is another unrelated matter?

A Unrelated matter, that is correct. Normal administrative things, bringing in memorandums and whatever and just [redacted] if that was required. I really don't have any recollection as to what all I did do that day but it was not devoted just to this flight. I do know that.

Q But it was your understanding that [redacted] and [redacted] were devoting their time to organized planning for additional flights on this matter, is that right?

A I won't say organized planning, I would say discussions because we never did get into organized planning of any additional flights. In fact as I was preparing to leave the building that night my understanding is that if we were going to in fact do it and there was still a probability I presume, that we would hopefully do that the next day, but in any case we were slipping or not automatically going to go back and do another flight, and it was very much in discussion as to whether we would in fact do it or not. My impression is there was no decision made

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that we are not going to go back or that we are going to go back until I received a call either Monday night from [redacted] or he informed me that was the result of the meeting on Monday night on Tuesday morning when I came in.

Q Were there discussions about how this remaining cargo in Tel Aviv was going to get to Iran on that Monday?

A No.

MR. WOODCOCK: Did you have any discussions about how amateurish the operation had been?

THE WITNESS: Only to -- you are speaking of Monday?

MR. WOODCOCK: Correct.

THE WITNESS: Only to the extent that I was upset that in fact I became upset that night before I think it was or whatever time it was that the aircraft was sitting [redacted] and I was told they would give the crew no assistance, I became personally a little upset at that time that we had got these guys into this situation and now there was no diplomatic or whatever. I had visions of based on [redacted] phone conversation the guys being under arrest going to jail or whatever for doing what we had asked them to do. That is the way it come across to me.

I relayed that, my concern to [redacted] or to [redacted] and then my call back to the extent that there

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was nothing we could do at this point, it was out of our hands and to tell the crew to get themselves out of the situation as best they possibly could. That upset me as I knew it would upset [redacted] Fortunately as I was calling [redacted] back with this information to tell the crew the next time you talk to them that we would not be helping them, that they would have to work their way out of it, he informed me that they had in fact solved the problem and were gone. That was the point of discussion on Monday when I got into the office. That if I am to be the project manager in a project of this nature, that if we get our people in this situation again we must be prepared to back them up.

MR. WOODCOCK: So you get into the office on Monday and you are already a little upset because your crew has been jeopardized [redacted] is that right?

THE WITNESS: Well, by that time I am sure I had calmed down considerably, yes, but that was to be the subject of discussion, yes.

MR. WOODCOCK: You are concerned. You get to the office and find out among other things this is an NSC operation, is that right?

THE WITNESS: Yes.

MR. WOODCOCK: And did you stop at any point and

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say, look, who are these clowns?

THE WITNESS: No, no, and maybe I let you let me misspeak when I said it was an NSC operation. I never considered that it was an NSC operation to the extent that maybe you are referring to, in other words it was to me a -- the way I took that reference is that it was the source of the flight request rather than it being the President or the CIA saying we will do this. We were doing it to accommodate the NSC. That had no bearing on my attitude about the flight.

BY MR. WOODCOCK:

Q Let me ask the question again then, since you understood that NSC was at least requesting the flight, whether it was NSC operated or not, were you not concerned about the character of the people who were behind the flight?

A No. Because I didn't know anyone there.

Q You knew this was a flight undertaken at NSC request, right?

A That is correct, or so I was told.

Q You did not have an assumption that NSC itself was operating the flight, is that correct?

A That is correct.

Q Therefore there were persons on whose behalf NSC had interceded to request the flight, is that correct?

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Was that your understanding?

A I wish you would restate that last part because I read something in there that --

Q Was it your understanding that NSC interceded on somebody else's behalf in order to arrange the flight for the CIA proprietary?

A Yes, that is correct.

Q But not necessarily NSC people, correct?

A That is correct.

Q Well, given -- did you understand that the CIA knew the identities of these people?

A I didn't understand it or I will say I didn't understand it but I assumed as much. Back to my earlier statement that I knew that we or I felt I knew that we were accommodating either some other country or someone in making this flight happen, and that was still my understanding at the end of that day even. I don't think I understood until much later I am sure that it was in fact an NSC mission at their request. Does that clarify it?

Q I understand what you are saying, but you have been exposed to a really bumbling, poorly organized operation that has jeopardized your crew and you come to Washington and you are not particularly happy about the way things have gone over the weekend, right?

A That is correct.

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Q And you come to Washington and you find out that really what has happened here is that persons who are probably not NSC people are being helped out by your proprietary at an NSC request, is that right?

A That is correct.

Q Did you try and satisfy yourself that your colleagues had established the bona fides of these people who were jeopardizing your crew?

A No, I didn't. I think it would probably be inappropriate to question that.

Q Well, I am not asking the question that you yourself be satisfied but did you try and satisfy yourself that at least they were satisfied that these were genuine individuals and not some series of cowboys who were jeopardizing your crew?

A Like I say, I didn't ask that question and I guess I was comfortable with the fact that that is where it came from. If I may, in fact the tone that I found out it was NSC may have been to the effect that you know because I do know having been associated with the Agency for some period of time now, that we do run a better show than that and it may have been presented to me that, you know, some of the confusion was that it was an NSC generated mission rather than one we generated internally. That is not self-serving to say that but I think

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that would be the vein that I picked that up that day. And I may have just said well, that probably explains it, it was someone else. I don't remember directly or the feeling I had at that time.

BY MR. CAROME:

Q Returning to a subject that you have testified about a little bit already, I believe I am fairly stating [redacted] testimony when I say that yesterday he told us that when he informed you that he had made the decision to take the plane [redacted] rather than [redacted] you replied to him, that's good, in fact [redacted] has already told us to get out.

Does that change your recollection about what might have happened at this point?

A No, in fact I think that may be a misstatement because my recollection of that at the time of the event then would not have been that we are going to get out of it but that we are not going to go back until we get some clarifications.

I don't think -- I know in my mind that we had not been cancelled as far as knowing we were not going to go back absolutely cancelled. There was suspicion we may not go back at that time.

Q Was it the status at that point that there would be no further flights without some further go-ahead

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from higher authority than CIA?

A Without some further discussions, I would say. Whether we were waiting on further approvals or not I had no way of knowing except I had permission to do the one flight and we were not to move the aircraft until we had further clearance and I didn't ask for clarification or, are you waiting for higher approval or what. That was just my understanding as to what my instructions were to do.

Q If we could turn to the subject of overflight rights [redacted] you have testified that the [redacted] plane had troubles [redacted] is that right?

A That is correct.

Q Did you ever talk to [redacted] about the nature of the application for clearances for flight clearances [redacted]

A Maybe to the extent -- I don't remember a specific conversation other than it seems like I vaguely remember him making a comment that we would get our own clearances in the future or any future flight that we would get our own clearances rather than allow someone else to get them.

Q You had had a conversation with the [redacted] people about at least assistance?

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A That is correct.

Q Assistance by them in getting flight clearances [redacted] is that right?

A That is right.

Q Who did you deal with on that point?

A That would have been I am sure [redacted]

Q There is a CIA cable that refers to a telex from the carrier stating that the cargo being carried by the plane was medical supplies.

Do you have any knowledge of that telex?

A No, but I am sure that it happened because that is [redacted] favorite for cargo that we don't know what it is, it is either medical supplies or construction equipment. [redacted] But I have never seen the telex and I don't remember him dictating that to me that he had sent a telex to that effect.

Are you saying it originated from [redacted]

Q I believe that is right.

A Yes.

Q And when you say that is [redacted] favorite when he doesn't know what the cargo is, might it be something he would use when he prefers not to tell the ground authorities what the true nature of the cargo was?

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A That is correct, which in this case, number one you don't know and secondly, even if you did know you wouldn't want to tell them that it was armaments and so forth.

Q This same cable states and I will read from it, the pilot told the ground controllers he was carrying military equipment.

Did you ever learn that the pilot gave that information to ground controllers [redacted]?

A No, I don't think it is in [redacted] report. I don't remember that being mentioned before.

Q You know nothing about that subject.

A No. Unless I missed it when I read [redacted] report and I don't remember reading that, that he told them it was military equipment.

Q Do you know whether or not the telex request for clearances sought clearances for one flight or for a series of flights?

A No, I don't. In fact I am a little surprised that there is a telex because that would be news to me. I do know we were hopefully trying to get overflight clearances but it would have been my understanding that Mr. Swimmer or someone was arranging them at that time. So it doesn't surprise me that it happened but I never saw a copy of the telex and it was not told specifically that

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we put in a telex asking for clearances.

Q What problems do you understand that the pilot had while flying over [redacted]

A From recollection he did not have a diplomatic overflight number that usually works like magic that gets you past air traffic controllers. Not having a number and having been told he was cleared to go by [redacted] he was apparently third degreed, he was vectored of course and in fact he I guess attempted to evade radar somewhat to get through and in numerous conversations throughout the flight he was able to actually succeed in going completely [redacted] air space without having been forced down or stopped.

But he never did have carte blanche authority to proceed but he did proceed.

end #5
3:45pm

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3:45 p.m

BY MR. CAROME:

Q And what about the problems with [redacted] authorities on the way back?

A On the way back I guess he really didn't have any problems other than he was informed that he would not be allowed back through unless he had [redacted] commercial approval. Apparently that was the genesis of the problem beforehand, is that the civilian community or commercial authorities [redacted] had given overflights, but [redacted] was not made aware or had not granted their overflight.

So [redacted] was made aware that he would not be allowed back in unless he [redacted]

Q Did [redacted] inform you of how the [redacted] flight was received in Tehran?

A In this report, yes.

Q What did he tell you as to whether or not the people on the ground in Tehran with whom the flight crew was dealing were pleased with the flight and the cargo?

A Just that, that they were pleased and that they were wanting us to be the ones who brought in future flights, the impression that our captain had was that we want you to be the ones who come back in and that was in his report. Somewhere I remember that being in the debriefing.

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Q Do you know whether or not anyone on the ground inspected the cargo in Tehran?

A No. In fact, I think it was not inspected, as I remember reading through in the discussion of it, that they just offloaded it. In fact, our crew was amazed that they offloaded it so quickly compared to how long it took to onload.

Q Did you at any time either on that Monday, the 25th, or anytime thereafter, hear anything about the fact that the Iranians were unhappy with the cargo?

A No. I never did. Until the T.V. told me in December, I guess. No, I never heard that. And apparently the crew never heard it, as it wasn't mentioned in this report, to my recollection.

In fact, maybe it will save you some questions, once this report was written and turned in our focus was on other things. The flight, we never talked about it or discussed it.

It wasn't a day-to-day type thing. It was over and behind us and I never thought anymore about it until the investigation started.

Q Are you aware that [redacted] received about $127,700 in payment from --

A Yes.

Q -- from the Lake Resources for the flight that was

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performed.

A Yes, I am.

Q Did you know at the time that it was Lake Resources that made the payment?

A At the time they made the payment I did because we received the accountings. I didn't focus on that, to be frank. The reason I say I knew at the time is I approve all paper transactions as they come through the office and as they are booked, so I am sure that I saw the name and the amount and tied it to the Iran flight.

I put it in the file. I didn't know who Lake Resources was, nor did I question it. When I was questioned as to who it was, I couldn't remember and I had to go back to the file and dig it out.

MR. CAROME: Could you mark that as the next exhibit, please?

(Whereupon, the document referred to was marked for identification as Exhibit [redacted] 5.)

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AS-4

BY MR. CAROME:

Q I show you what has b-en marked as Exhibit 5 and ask if you recognize what that document is.

A Yes, I do.

Q For the record, it is a one-page, typed memorandum, re: Tel Aviv/Tehran flight; is that correct?

A That is correct.

Q This is something that [redacted] prepared and sent to you; is that right?

A That is correct.

Q Do you know if he is responding to a particular question you had to him in this written report?

A I think so. And I can't give you a specific consideration but I think I may have made the comment that what do you think our exposure was on this flight as far as me being concerned with cover and security in the future of the project.

And this would have been the response he gave in response to that query as to did he think that at some point in the flight did it become very obvious that we were CIA-sponsored or whatever and this was in response, I think, to that question.

I don't specifically remember that, but I do think that would have been the beginning of this particular annex to the report.

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Q And I take it it was important to you and [redacted] that both Copp and Schwimmer not become aware of the CIA background of [redacted] is that correct?

A That is correct.

Q And it was that concern that caused you to ask [redacted] to prepare this memorandum; is that right?

A I don't think I asked for a memorandum. I think I asked him and he verbally briefed me and gave me this on one of the papers in which he expounds on how screwed up it was, but he gave me the report as a result of a verbal conversation.

And as I read through the thing, I do remember discussions -- probably a specific question for me is how did he explain to [redacted] our missing the flight and actions they would take as a result of our missing the flight we had scheduled.

Q Were you aware that the loading of the flight in Tel Aviv was being handled by high ranking military officials?

A Yes.

Q [redacted] made you aware of that at the time?

A Yes.

Q Did he also make you aware that the loading was taking place in a hot cargo area?

A Yes.

Q He did tell you that?

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A Yes.

Q Did that cause you to conclude that this was probably munitions that were being carried on the flight?

A I can't say that I recollect having that light come on and say it must be munitions because we often unload in hot cargo areas.

That would probably be a tip-off that that would be it. I don't remember elaborating on the fact that it was a hot cargo area, it must be explosive or something.

MR. WOODCOCK: That information you are receiving from [redacted] on the military involvement and the loading in the hot cargo area is information you are receiving roughly contemporaneously with those events; is that correct?

THE WITNESS: That is correct. In fact, I remember that a civilian was obviously running the show, but the military was involved and the civilian was very abusive to the military. I remember him making that statement.

BY MR. CAROME:

Q Did he tell you that that civilian was Mr. Schwimmer?

A Later he did, yes.

Q On page 4 of Exhibit 3 there is a reference to the aircraft being parked at the same location that it had been parked on the last night to Tehran a few weeks ago. Do you know what that is referring to?

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A Yes. That was referring to the August 1985 flight.

Q And even though it says a few weeks ago, you still believe that to be the flight that was a few months ago, is that right?

A Yes. That is the only flight we had made so that would be the only way I could refer to that.

Q Did [redacted] tell you over the phone on Sunday or Monday that the Iranians on the ground in Tehran had said they were expecting four more flights?

A I don't recollect him telling me that. I recollect reading it in his report after the fact, but I don't recollect it being a point of the conversation by phone.

By that time it would have been an international call and we were very guarded as to what we were saying by telephone.

[redacted]

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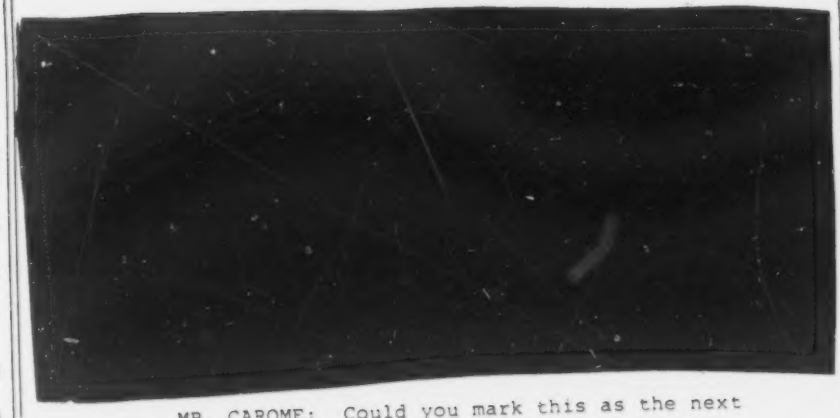

MR. CAROME: Could you mark this as the next exhibit?

(Whereupon, the document referred to was marked as Exhibit [redacted] 6.)

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BY MR. CAROME:

Q [redacted] I am placing before you Exhibit 6. This actually is a cable that I was reading from before and hadn't made a part of the record here yet, but now I would like to.

This appears to be a cable from [redacted] on the 25th of November, that would have been the Monday where you were at headquarters. It is the cable that refers to the pilot having told the ground controllers he was carrying military equipment.

The time on the cable, time of receipt appears to be [redacted] time. I gather that would be about [redacted] on Monday morning?

A That is correct.

Q At the top there is a reference to "advance notified C/EUR", I take it that that is Clarridge, and then [redacted], spelled [redacted] I don't know whether or not that is the [redacted] or not. It seems that it might be. I am asking you whether or not you have ever seen this document before, whether you might have seen it on that Monday?

A No.

Q You have no recollection of ever seeing this document?

A No. This is the first time I have seen it.

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MR. CAROME: Would you mark that as the next exhibit, please?

(Whereupon, the document referred to was marked for identification as Exhibit [redacted] 7.)

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BY MR. CAROME:

Q I show you what the reporter has just marked Exhibit 7, as I ask if you recognize what that is?

A Yes. That is a paper that I prepared for [redacted] at his request. I think -- it could be one of two things. It is a paper I prepared for [redacted] or it is something I prepared for the auditors when they were down this year -- I did it for both, I think.

Q Is this a listing of the special flights, that is, the flights carried on at the behest of the U.S. Government that [redacted] performed in 1985 and 1986?

A Yes. I am sorry. That would not be a total list, okay? This would be the list of special flights with the 707. [redacted]

So it would not be all inclusive is what I am saying.

Q And the one item -- let me rephrase that. The fifth item on that list, do you recognize that to be a reference to the November 1985 flight that we were just discussing?

A That is [redacted]

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Q Can you read to me what that item says?

A Part of it is blocked out, but it apparently would be Boeing 707, 23-25 November 1985, Tel Aviv special.

Q Can you read the word underneath that?

A No, I can't.

Q Does it say "cash"?

A Maybe it does say "cash" -- it looks like it does say cash and I have in the remarks there "paid direct by customer", and I did not have the hours or the amount there either, but I can't tell whether it was there or not. But I did have 707, 1-27-7, plus -- 8-7. I don't know what that is. In fact, I am not sure that is my writing.

Q It may be that the last column is someone else's writing; is that right?

A Yes.

Q Do you know what the [redacted] numbers might refer to?

A No.

Q There is a handwritten note in the middle of the page that says "no cargo manifest available". Do you know what that refers to?

A That is not my writing, but that would mean that I have no cargo manifest for those flights. If it would be proper, I can now tell you whose writing that is or whatever the source is.

The auditor, when the investigation was started,

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the auditor plus one individual come down to my office to audit the flight records for all of the flights we had conducted for the agency and this is a copy of -- in fact, it is a copy of a manila folder that I keep handwritten notes to myself of date and time of flights.

Q Is this audit something that was conducted as a result of the public disclosures of the Iran affair?

A I would say yes. I had a -- after the disclosure of the Iran affair, I had a debriefing with our internal auditors and the I.G. staff, O.G.C.

After I had the session with them, the auditor left Washington with me that evening and went back [redacted] and spent two or three days looking at the paperwork I had in my office.

Now that I pay close attention to that, that is the origin of it, I think. That would be his code on the [redacted] as well.

That is his writing. Just to clarify it more, normally I would put the amount of money that we collected for the flight I said "paid direct by the customer" and at the time I made the entry I didn't know what the amount was.

That is his writing in the right-hand column.

Q Did the subject of insurance ever come up in connection with the November [redacted] flight to Iran?

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A Not to my recollection. We had a discussion on insurance back during the August flight but I don't remember [redacted] asking me about insurance or me questioning him about insurance for the November flight. We had to buy special insurance for the August flight. I remember that.

Q Do you recall how much that special insurance cost?

A I want to say $3,000, but I don't know where I am getting that, so I would rather say I don't know.

Q But it was probably less than $5,000; is that right?

A I would think so, yes. I think I can safely say that we did not insure for this flight because it was a weekend and we didn't have time and the subject never came up, so we didn't contact our broker.

MR. CAROME: Could you mark this as the next exhibit?

(Whereupon, the document referred to was marked for identification as Exhibit [redacted] 8.)

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BY MR. CAROME:

Q I show you what has been marked as Exhibit 8. Do you recognize what that item is? It is a one-page document dated 30 November 1986.

A No. I haven't seen this.

Q Is that also a document that is in the auditor's handwriting?

A Yes. The [redacted] apparently collates back to the notes he has in the margin.

[redacted]

Q There are several -- do you know what the term "special interest" means at the bottom of the page?

A I would assume -- looking back I would assume that it would be the flights that they were looking at to see whether they were properly approved or executed or whatever. That is his word, but that is what I would gather from looking at it and tieing the two together.

Q [redacted] this list reads, "drilling equipment" and those words are in quotes, to Tehran. Do you know why it says "drilling equipment" there? That appears

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to be a reference to the November 1985 flight.

A No. I am not sure where he got the words from except that that was used at some point -- as I testified earlier, that it was said that it might be drilling equipment that we were transporting and I am not certain where that was coming from.

Q Do you know why that would be in quotes?

A No.

Q Let's see if we can sharpen up the reference to drilling equipment that was made in 1985. Who do you recall saying that the cargo was drilling equipment?

A My recollection would be when we were trying to apply for our overflight rights, part of the request has to include cargo, consignee, consignor, and that type stuff, and my recollection would be that I would have asked either [redacted] or [redacted] and I don't recollect which, for this overflight to get our aircraft [redacted] to Tel Aviv -- I am sorry, from Tel Aviv [redacted] what the cargo would be and someone in the process told me to use the term "drilling equipment", or it could have been that [redacted] said I will use the word "drilling equipment". I don't have a clear feel for that.

Q Did you understand that drilling equipment was an actual description of the cargo or rather something that was being suggested as a good label for the cargo for air

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clearance purposes?

A I think I held that that is what it was at the time and that is why I am having problems remembering as to who gave it to me, is that maybe that was my understanding that it was drilling equipment being shipped because of the sizes.

That would have been a feeling at the time that was later gone as a result of finding out or hearing the description that it might be missiles. I have an unclear feeling did I get that from [redacted] or was that something that [redacted] suggested.

Q If [redacted] suggested it, presumably that was being suggested as a good label for it and a good cover for it rather than an actual description; is that right?

A I tend to think I got it from [redacted] Yes, that would be a true statement if that is the case.

Q It is your testimony that at the time -- let me rephrase that question.

It is your testimony that at the time you were told it was drilling equipment or at least at the time you were told to describe it as drilling equipment, that you felt that was an accurate description of the true nature of the cargo?

A Yes. I didn't speculate that it might be anything different at the time. That is why I tend to believe that I got it from the [redacted] people rather than from [redacted]

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not being able to recollect exactly where the words "drilling equipment" -- to be honest, I thought that I had been told that in the first phone conversation with [redacted] When I went back and read the notes that said "very sensitive cargo", I realized that is not where I got it from.

Q Is there any reason why drilling equipment would be a very sensitive cargo?

Those are kind of inconsistent concepts, aren't they?

A Yes and no. I guess I consider myself fairly well read that we weren't trading or were trying to discourage other countries from trading with Iran and the fact that we were ordering drilling equipment would be almost on the same level of shipping missiles.

If you say you are not going to give them anything and all of a sudden you are helping them because of oil and knowing that Iran is a big oil reservoir, I would say in international politics that might be just as important as missiles.

That is off-the-cuff. I didn't think about that at the time, I am sure.

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Q In any event, by Monday you no longer believed it was oil drilling equipment; is that right?

A When [redacted] made the comment to me by phone on Monday.

Q At that point you no longer believed it was oil drilling equipment; right?

A That is right.

Q And you believed it was missiles; is that right?

A Well, I can't say what I believed, but, yes, I accepted it on faith that the crew thought it was missiles.

MR. WOODCOCK: Let me pursue this line just a minute in a different way.

BY MR. WOODCOCK:

Q When you first heard from -- when you hear from [redacted] on the 23rd at 10:00 a.m., he is telling you that this is the same cargo [redacted] and you understood that to be a shipment of arms; is that correct?

A Shipment of munitions, yes.

Q He then later tells you that he has been in touch with the captain, he has arrived in Tel Aviv, that he is at a military portion of the airport and that military people are involved in loading the cargo up; is that right?

A Yes.

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EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. CAROME:

Q You also were told that was being loaded in a hot cargo area; is that right?

A Yes, by him or in a report, but I feel sure he told me by telephone.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. WOODCOCK:

Q Up to that point is it correct to say that the information coming from [redacted] would lead you to suppose it is military equipment rather than something else; is that right?

A If I had been questioned at that time I would have to say, yes, yes, that the fact they thought it was the munitions flight, but you have to recognize that I don't think we had a description of the cargo other than what [redacted] gave me earlier from the crew or anybody at that point, but when the destination changed or whatever tipped him, he thought it was the same flight.

I honestly did not dwell on it at that time. We were trying to get the thing going.

Q The reason I am asking these questions is I am trying to separate in your mind to a greater certainty where this information about oil drilling equipment may have come from.

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Up until this point, until the point where you are talking to [redacted] and he is giving you information on the hot cargo area, the military area, and they think it is the cargo he turned down, your impression is that he is talking about a military cargo; is that right? At least [redacted] understands the impression that it is a military cargo?

A Yes, I would guess that would be true, yes. That is about the same time we found out the destination was changed, to clarify my recollection of that.

Q So, if [redacted] suddenly started using the term oil drilling equipment, that either means he has come across startling information or he just made up a label for it; is that right?

A Yes, I think I have to agree with you on that. That is probably correct -- from that perspective. It would probably not have come from him. I think it did more than likely come from within [redacted]

Q Let me follow that down a little bit further. Since it is likely that the information came from [redacted] that it was oil drilling equipment, that would have been contrary to the information you were receiving, or at least the impression you were receiving from [redacted] is that correct?

A If I had zeroed it on that, yes. But I don't

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remember zeroing in on that or focusing on that at the time.

Q Then you come into headquarters on Monday and [redacted] gives you the final piece of information and that is that the pilots who were involved in actually seeing the cargo, believe it was missiles; right?

A That is correct.

Q Now, do you at that point think that your colleagues [redacted] are mistaken or that they have just made up a label to falsify the character of the shipment?

A I don't have any recollection of focusing on that, but I guess the fact would be that maybe they had falsified the shipment to, either because we were on the clear from -- I am not trying to excuse them, don't misunderstand what I am saying -- just never asked the question beyond what I would normally ask, what I show is a commodity, and so forth. Even though they would have told me it wouldn't mean I would genuinely believe that is what it was, but understand the circumstances here, I would have thought that would have been the case.

Q If you had thought they were genuinely mistaken about the character of the shipment and you were well persuaded it was armaments, and not oil drilling equipment, wouldn't you have wanted to make sure they were disabused of any illusion?

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jm 5

A If I had been more sure -- and that is the problem with this, because we didn't press that point.

In fact, in pressing [redacted] -- no, not pressing him -- in discussing this later he wasn't convinced what it was in that the crew mentioned as I described, the co-pilot said, "We should have fired them instead of delivered them," and they thought because of the shape of the box and the way they were handled, they must be missiles.

But they never made a firm statement that they were missiles to the degree that I could come forward and with any degree of assurances, give a good, intelligent report saying, you guys thought it was something else, and in fact, it was missiles. That part was never clear enough.

Q But they are in a better position to know that than you; right?

A I would suspect so. Yes.

Q If you have a reservation you are not in a position to find out to a certainty what the cargo is; is that right?

A Without asking, without making a point of it with them. If it had been something I thought to pursue, I could have asked them. I didn't.

Q But your colleagues [redacted] are presumably in a position where they would be able to take the information you gave them on it and corroborate it one way or the other; is that right?

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jm 6

A I would say so, yes.

Q So you wouldn't know until you knew something to a mathematical certainty until you came to them and said, guys, this is really armaments; is that right?

A Yes, I would agree with you, correct. Yes, in that assumption.

Q So you would---

A I would not expect an answer back.

Q Right. But you would say, look, I don't know whether this is important to you or not, but all my conversations with [redacted] including this last one, would indicate it is military hardware. You can take that and do with it what you want.

Correct?

A Yes, that is correct.

Q Is that what you did when you got to [redacted]? You had this final phone call and you are talking, it is second-hand information, but it is based on an eye-witness account, that actually the cargo is armaments. Is that what you then do with [redacted]?

A I don't remember it that way. I remember reporting to him the status of the aircraft, and what [redacted] had reported to me, and part of that, part of my recollection of that is that I would have told him that [redacted] said the crew thinks that it was missiles, and that was the --

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dropped it there. I don't remember discussing it any further or me asking was that true,or could it be,or something else. I just don't remember pursuing that issue.

And it is my nature that I would not have,because if you want to talk about some other flights, I couldn't tell you what is on those flights either -- you know, exactly. I never saw the cargo documentation. I wasn't physically there for the loading. I can relate a humorous thing to you, we hauled one box and the crew said it had to be money, they weren't paid that much to ship that small a package.

That is the comments, I guess. I don't pursue them.

Q Wouldn't you pass that on as intelligence? You are a proprietary.

A I did. And I think I did that in debriefing [redacted] as to [redacted] comments that the crew had thought they were missiles. That would have been the extent of the pass on.

Q I understand your role. Your role is not to find these out, but your role is to pass information on?

A Yes.

Q And let them make a determination; is that right?

A Sure.

Q Presumably that also employs that you give them as much information as you can so they can make an intelligent

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jm 8

decision; is that right?

A That is right. I would suspect that -- I shouldn't do this I suppose -- but I would suspect they either knew or it was not important or germane afterwards,because I never got quizzed again; where did that source come from?

Nobody ever pinned me down to say, you said it was missiles, what made you think so, or whatever. I don't remember one conversation I had. It never came up again.

In fact, the flight never came up again after that cay.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. CAROME:

Q On explanation might be they knew and therefore they didn't need to check back with you?

A That is the part, as I say, I shouldn't speculate, but, yes.

Q That is one possible explanation?

A Yes.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. WOODCOCK:

Q You testified earlier that you and [redacted] went out to get a drink after work and that he was called at that time by [redacted] is that right?

A We didn't go. We were on the way, right.

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EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. CAROME:

Q Do you remember what time of day that was?

A I would guess 1800, 1830. That is normally the time we would leave the office during a visit. I don't specifically remember it being that time, but I would guess.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. WOODCOCK:

Q 6:00 or 6:30 p.m.; is that correct?

A Yes.

Q You also testified that [redacted] called you up you thought, either late that night, or early the next morning; is that right?

A If it was the next morning -- I know he called me that night. Whether he told me that night that we definitely would not be making a flight for whatever reason, that night or if we waited until the next morning, I don't know. That is my problem of recollection. He tells me that he told me that night, and I remember we purposely -- if you don't have to talk on the phone you don't usually, and you wait until the next morning.

In my recollection,he told me the next morning. In his recollection,I think he told me he told me that night. I don't dispute that.

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EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. CAROME:

Q You came into the headquarters the following Tuesday morning; is that correct?

A Yes.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. WOODCOCK:

Q When you get to see [redacted] the following day, did he mention what had occurred at his briefing of the general counsel?

A Only to say it was determined we could not would not make any further flights; that that was the end.

Q Did he say any discussion was -- as to whether that flight was even legal or appropriate,in any event?

A No. I can't say that he did.

Q He didn't say, for your information you ought to be aware that in future flights like that we are going to check out all the numbers.

A I can't say that he even inferred that to me. In fact, if I had to give you my impression, I would say that I don't know that that happened because I don't recollect him coming and saying we shouldn't have done that flight; if that is what you are asking?

I do recollect him saying we cannot do those flights, and that was what I got out of that conversation.

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Q You don't recall at any time, I gather from your earlier testimony, telling [redacted] about the remark that [redacted] had told you on the 25th about the missiles?

A No.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. CAROME:

Q Did [redacted] say anything about a discussion of need for a covert action finding like that after his discussion with the headquarters?

A No. I don't remember if he did. Like I say, I would assume that we had all that before we went. I haven't done that job before. I know no matter what time of day or night or weekend, whatever, you did that, like a check list.

Q To make sure there would be a covert action finding before this occurs?

A The OGC would provide that. I never look at the -- as the case officer, I never would see that, but everything would be staffed through, all the way up to the DDO, to release the flight or whatever.

Q You understand---

A I naturally assumed that had been done in this case, and as I assume it is on the rest of the flights.

Q You understood that to be the norm?

A That is correct.

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Q For special flights, is that right?

A That is correct.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. WOODCOCK:

Q Let me ask you on a slightly different attack here, you earlier testified that you operated under guidelines that prevented you from delivering to certain [redacted] is that right, without special permission?

A Without permission, yes. Or we just didn't do it without special permission.

Q You have also testified that in your opinion the -- once [redacted] problem is taken care of, the cargo really isn't all that important, is that correct?

A That is right.

I would say that I may have misspoken if I did say that. I would say that the cargo would be just as important as the destination [redacted] I presume we are talking about commercial now. [redacted] the Iran flight, or whatever, [redacted] we would fly into, we would obviously want to know what cargo we are transporting to the best of our ability, so that would be to me as important as the destination.

Q But you are speaking in terms of knowing what the cargo is in order to get the information back so it can be

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analyzed and taken care of by the CIA.

A That is correct, [redacted]

Q You are not speaking of this in terms of whether the cargo would make the flight permissible or not; is that right?

A That is correct.

Q Now, I just want to pinpoint this because it, frankly, confuses me. If you had a commercial individual call you up and say, look, I would like to transport a thousand tons of C-4 explosive to Libya, wouldn't the cargo also create a problem for you as well as the destination?

A Yes, it would. And, in fact, to elaborate on that, if he said he would transport a thousand tons of C-4 to Germany, that would be a tipoff that I would pass that to headquarters, say, we are moving from Israel or any place, because of the type of cargo in that regard.

It would be of interest to me, would figure my interest more than if we were transporting chickens or cattle, or anything else. So, in that regard, even though -- this is almost -- [redacted] didn't have a piece of paper in his hands from me or I from anybody else saying, if you ever get approached about a flight to Iran or Russia, or whatever, report it. It is our understanding that if it is a flight, if the flight looks out of the norm, whether it is the cargo or destination, or combination of both, that we

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would report it to be sure we had concurrence to do that flight.

Q Presumably the customer or the destination, even if it is not [redacted] or if it is a questionable recipient, would prompt you to seek further authorization; is that right?

A That is right.

Q So if it were a flight of a thousand pounds of C-4 explosives to Ireland, but the recipient was the IRA, you would want to check with headquarters to make sure that that was okay?

A That is correct, that is a correct assumption; yes.

Q Just wanted to be clear on that. I will sleep easier tonight knowing that.

A Or drugs. The reason I balked at that question, is because we have had flights from, since this whole thing has come up, [redacted] It wouldn't be hard to determine if that is true, of course, but we would not make that flight in there because we are exposing the aircraft, crew and et cetera, [redacted]

Q In this August flight to Tehran, did you have the crew prompted so that it could, it would corroborate that what was going was this gunpowder rather than something

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else?

A I didn't, because I didn't talk directly to the crew. My only question to [redacted] was to try to get -- normally we would not have a copy of the manifest that we can keep, although the crew handles the manifest. Once we got approval for the flight, I coached [redacted] to try to have the crew get the paperwork on the flight so we can see what he had been told, whether it be true or what we could glean from that paperwork.

It was some time afterwards we got it, because maybe the captain had it in his bag and we had to go back and ask him for it rather than it being an automatic thing.

Q That flight ran, according to [redacted], didn't go exactly as planned, and according to his testimony yesterday, he was not sure it had made its way all the way to Tehran out of that flight?

A I have recollections that initially my understanding was -- I am going from memory, but if you give me a piece of paper, I can confirm it -- we had cargo [redacted] -- I don't remember cargo specifically [redacted], other than the flight was originating [redacted] but [redacted] I remember [redacted] coming to me that the [redacted] cargo did not show up and we went out much later than we thought we would, and that was the cargo that was missing.

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Q Some of the information that was created contemporaneously with that flight, indicated the cargo might also include detonators for the explosives?

A Yes, I remember seeing that on the manifest.

Q There are a wide variety of detonator explosives; isn't that right?

A That is true.

Q Some are extremely sophisticated, and are extremely small; is that right?

A That is right.

Q In fact, so small you could put it in a letter and if somebody opened it up that would be the end of them; is that correct?

A That is correct.

Q Were you and [redacted] on the same wave length so that those detonators were not being brought into Iran by [redacted]

A No.

Q Thank you.

A We had no restrictions to enforce, in other words, enforce -- if I understand your question, we had no restrictions to go on board the aircraft and say we will take the black powder, but we won't take the detonators. There was no guidance to that degree.

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I don't remember detonators being mentioned until after the flight,and they showed up in the manifest. Originally we were told it was munitions or black powder.

Q That would be a point of concern to you looking at the manifest afterward, seeing that the detonators were on on there?

A It was a point of concern, not that we were deliverin to Iran, but because you don't as a rule carry detonators in the same flight with black powder and because you have a danger of in-flight explosion because of static electricity or whatever.

Q You don't know if you have those super-sophisticated detonators that, say, [redacted] CIA might be able to produce, but most people can't?

A I wouldn't say that is my job, no. I can't say that I would have any concerns about that. I would think that once I -- the one thing I find as these go in my years of experience, is most of the stuff I report is not new. It verifies something they know already, or something like that, or it helps them verify something. So beyond the reporting and saying, yes, you got my clearance to make the flight I wouldn't question anything. I wouldn't have reason to. I am not a---

Q You would make sure that CIA knew that these were super-sophisticated detonators?

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A If I knew they were on board that would be part of the intelligence, yes.

Q But not necessarily part of the approval? I just want to understand how this process works.

A It would be after-the-fact. I don't know that the fact that there were detonators onboard would impact the approval or not. I don't think so. But that is my opinion.

Q Might depend on the detonators?

MR. PEARLINE: Off record a second.

(Discussion off the record.)

MR. CAROME: Back on the record.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. CAROME:

Q I believe that yesterday [redacted] testified that one reason that he diverted the aircraft [redacted] rather than having it go back [redacted] was that he had not received payment from Mr. Copp on that Monday; does that conform to your recollection?

A I do know that we had not received payment. I don't remember him relating to that to me in the conversation. I knew we had not received payment and we were then in a position as to even if we had gone [redacted] how would we refuel the airplane to go back. The crew was out of money. I think he started out with a slot of $10,500, and he wouldn't have had the money to continue to operate without

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funds. I don't remember that being a discussion point.

Q You don't remember whether or not there had been payment being made, a factor in the decision whether or not the plane should go back [redacted]

A No, in fact -- no, I would say that wouldn't impact it. If I had had instructions to go back we would have went back regardless of payment. But I didn't have those instructions. I did not have those instructions.

MR. CAROME: Could you mark this as the next exhibit?

(The document was marked Exhibit [redacted]9 for identification:)

INSERT [redacted]-9

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EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. CAROME:

Q I am putting before you what has been marked as Exhibit 9, and I ask you if you recognize what that document is? Is this a document that you prepared?

A Yes, it is.

Q And do you know who it was written to? It is blacked out there, but do you know who this would have been prepared for?

A I believe, I would have probably addressed it to chie[redacted] as a formality, but it was requested by [redacted]

Q And do you know when he requested that you prepare this?

A The date there tips me off of December 1, and I think I stated in the thing 30 November, yes, that refreshes my memory. That is the date.

Q Did you come [redacted] to Washington to work on the review of the 1985 flight activity?

A No. In fact, I can't remember the purpose of my visit, but I was surprised if this is the correct date even, that is I come into the building, I have to get a visitors badge and be escorted from the front door and the secretary asked me [redacted] for a meeting- and I said, no [redacted] for normal business. She said, I think you are supposed

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to be in a meeting at 11 o'clock,and at that time it was like ten to 11:00. I said, I was not aware of it. I went in and I sat with [redacted] and by this time [redacted] and come 11 o'clock, they said let's go. I said,I will see you later and they said, no, you are going, too. That was my first indication.

The purpose of the trip was not for a meeting but I did attend the meeting.

Q What was the subject of that meeting?

A Apparently an internal investigation or internal audit as to who did what during this thing, this flight series that we had done under question.

Q I notice that the second paragraph of this Exhibit 9 says, I believe he listed oil drilling equipment as the cargo as this is what we were orginally told the load was.

At the time you are writing this, you understood that the load was not oil drilling, I take it; is that right?

A Right, well, I still don't know for a fact. But yes, I would assume that that was not the case. I am saying what I think he wrote down.

Q That is right.

And does this reinforce your recollection that it was probably [redacted] who told you that it was oil drilling equipment?

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A Reinforces the feeling that I was told it was oil drilling equipment. I can't say it reinforces that it was [redacted] who told me, but I do believe that is who it was.

Q You mark this as the next exhibit.

(The document was marked as Exhibit [redacted]-10 for identification:)

INSERT [redacted]-10

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BY MR. CAROME:

Q I show you what has been marked as Exhibit 10. I ask if you recognize what that document is? It says at the top "reimbursement." Is that your handwriting?

A Yes -- no, no, I don't think so. Probably looks a little too neat for me. It even looks -- because of the eight, six, seven -- I would guess that is the auditors. It could be the guy with him and I don't know his name. [redacted] I do remember that. He had another gentleman with him. It could be his handwriting.

Q Do you know why the subject of reimbursement would be discussed in the same context as the $127,000 payment to Lake Resources?

A I don't know why it would have been discussed in this, except that that was part of the subject of the internal investigation or the internal deal when the auditor came down is to determine how do we get paid for this flight and why was it different than the other, because they are much the same as you are, coming in not having any prior knowledge of it. We went through a deal to explain why that was the case, as far as I understood it, that I was told we would be paid directly by the customer, and in which case, we were paid directly by the customer. That would be my only explanation. That is speculation on my part, I should say.

end jm

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MR. CAROME: Who was it that told you that the NSC had requested that this flight be done?

THE WITNESS: I would say [redacted] on Monday after I had talked to him about the problems that we had had. My recollection I had never heard the NSC mentioned by telephone over the whole weekend until that Monday. Sometime during that day I was told and I think as I testified earlier I think it was in the vein that I am talking about how messed up things were and they said well, we were responding to a request -- they were giving the excuse to me that it was not a normal flight, therefore they didn't screw up, someoby else did.

BY MR. CAROME:

Q They were passing the blame to the NSC, is that right?

A We didn't do the planning part, not the staffing part.

Q What do you understand Dewey Clarridge's role was with respect to this '85 flight?

A I would assume that he was the, for lack of a better word, action officer that [redacted] was working with and [redacted] as well because that is the only way I knew the name was the comment made that I will check with Dewey or whatever. I never questioned nor nobody every explained to me. That would be normal, that whatever desk or division

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we were working with would be the people you would have to coordinate with, so that would be my assumption.

Q And you were not aware at the time that Clarridge was working closely with Oliver North, is that right?

A No, I wasn't aware of that.

MR. WOODCOCK: You testified earlier that you saw portions of Richard Secord's testimony on television, is that right?

THE WITNESS: That is correct.

BY MR. WOODCOCK:

Q In your days with the Army [redacted] did you ever come across Secord?

A No.

Q He was a new person to you --

A When you said Army [redacted], that covers two areas. In the Army, no, I had never met him.

Q How about in your capacity as having responsibility for any proprietaries of the CIA, had you ever come across Secord before?

A Not him personally, but the name, yes.

Q How was that?

A Another project I was working before I took the project over when I was a proprietary case officer we had requests for General Secord and one other individual

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to visit the project and I processed the action on that.

Q You did what?

A I processed the action on that request, which my understanding is after the fact that the visit never took place.

Q Did anybody inform you as to what happened with the request for Secord's clearances on that project?

A Informally I was told it was denied but officially I don't know.

Q Did you have any other --

A On one occasion I dropped one of our other officers off at General Secord's house. He was visiting the city or the headquarters and that evening or that afternoon or for lunch I had occasion to take him in my private automobile as I was going that way, and drop him off at General Secord's house. I did not meet him.

Q When was that?

A I left Headquarters in October '83 so prior to then.

Q Who was the officer that you dropped off?

A [redacted]

Q Do you know why he was visiting General Secord?

A I didn't question it, but I had knowledge that they were friends, that they were acquaintances I should say.

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Q What was [redacted] position with CIA?

A He was a proprietary manager.

Q At the time he was?

A Yes.

Q Is he still?

A Yes.

Q Did you have any understanding as to what their relationship was, Secord and [redacted]

A Not beyond the fact that they were friends from years before, personal acquaintances, my assumption was that it was not business-related.

Q Was Secord still in the Air Force at that time, do you know?

A I think it was shortly after his retirement. I seem to have that recollection because I read the newspaper and the association with the Wilson ~~Turbiel~~ Terpil thing. But I seem to recall that that was after his retirement and I can't swear to that. I can't testify to that but that was my impression.

Q Did you have any concern that [redacted] was visiting somebody associated with Edwin Wilson?

A I can't say I did, no. I did know that they were acquaintances apparently from the Vietnam era and probably in my mind wrote it off as simply that.

[redacted]

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[redacted]

Q I have a couple more things I want to show you. These are not in clean form but they are the universal indicator, CIIN No. 2554 and CIIN No. 2553. Let me first show you No. 2553. Do you recognize that?

A I would recognize it as a bank transaction form, a deposit slip or something. I don't recognize the amount or the date.

Q Let me show you now 2554. Do you recognize that?

A I would recognize it as one of the checks that I would have passed to [redacted] for a flight that we did, an operational flight.

Q Do you know whether those two items have any relationship to the November '85 flight?

A No.

Q In other words, they have no relationship?

A They have no relationship.

[redacted]

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BY MR. CAROME:

Q [redacted] do you have any knowledge of why the payment for the November 1985 flight was done in two parts, one of which for $127,000 and one later for $700?

A It is after the fact, but somewhere, and I presume you have a copy of it. I produced my paperwork on it. We had a copy of the invoice, telex, from [redacted] to -- Mr. Swimmer I think was the addressee on it, giving him an invoice of $127,700 and later telling him that only $127 showed up and he remitted the $700 later. He apparently had paid $127,000 and had not remitted the $700 and then did that later.

BY MR. WOODCOCK:

Q I have two more questions I think.

With reference to Exhibit No. 6, I gather that [redacted] never discussed any part of that exhibit with you while you were in Washington on November 25-26, is that right?

A No.

Q Did you see Dewey Clarridge during that period?

A No, I didn't.

Q Had you ever met him?

A Yes, when he was in Headquarters [redacted]

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MR. CAROME: I don't have anything more. Thank you very much.

MR. WOODCOCK: I would like to thank you on the record, [redacted] for your patience and coming [redacted] and staying over an extra day.

MR. CAROME: Yes, thank you very much.

(Whereupon, at 4:55 p.m., the deposition of [redacted] was concluded.)

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AIRLINE PROP. PROJ. OFFICER 21 NOV 85

MEMO 211185

DEPOSITION EXHIBIT [redacted] #1

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1. [redacted]

2. [redacted]

3. [redacted]

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4. TEHERAN SITUATION

A flight was made [redacted] to Teheran with Boeing 7[redacted] on the 14 Nov 85. [redacted] The aircraft was there escorted by Iranian fighters until it reached Teheran. There is one more flt coming in December [redacted] which we are negotiating presently. 3 more flts are planned beginning 86 to go [redacted] We will be informed about those.

[redacted]

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5. VARIOUS FLTS.

[redacted]

6. GENERAL SITUATION

[redacted]

Pls find enclosed the cargo documents of our last flt [redacted] to Teheran.

7. GENERAL

[redacted]

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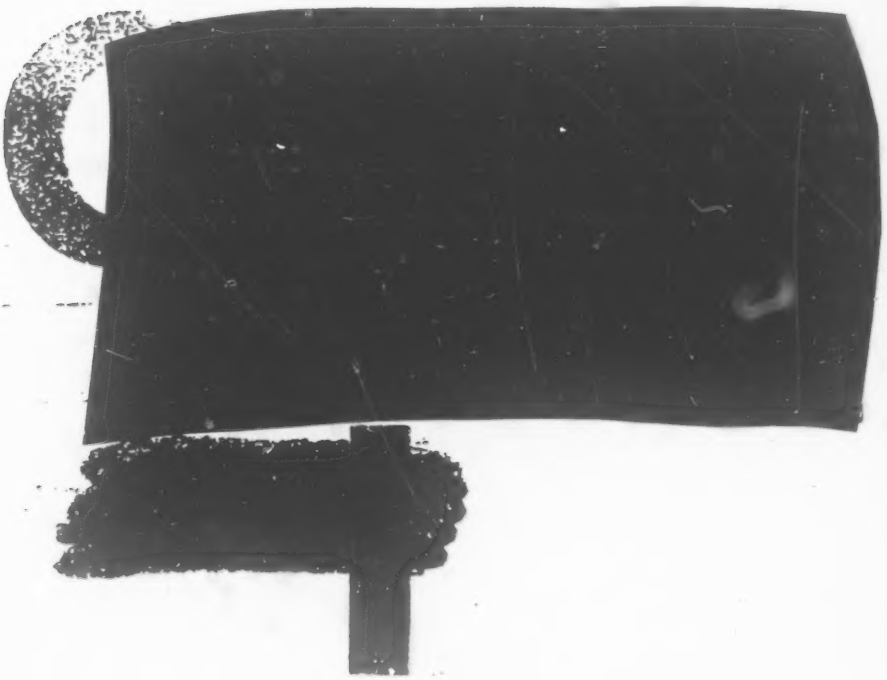

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AIR PROP ■ PROJ OFF. EX. #3

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MEMORANDUM 301185

Re.: Mission TLV/THR

1. CHRONOLOGICAL REPORT

PHASE I - Contact and Contract

Friday afternoon 22 Nov first info to me via [redacted]
that I would be contacted concerning an urgent flight and
that it was in our interest to perform those upcoming flts.
At about 20 00 Local time I was contacted by a certain Mr.Richard
Copp[redacted]
He asked me whether I had already been informed about a mission,
which I denied. He then explained to me that there had to
be 3 flights done as quickly as possible " Government to Government"
from Tel Aviv [redacted] After a short discussion we agreed that
we could do it with [redacted] aircraft consecutively for a flat fee
of 60 000.00 USD plus fuel, landg,handlg had to be paid by him.
Further it was agreed that second Boeing would be made available
on request should the matter get urgent.
During my subsequent phone conversation to our [redacted] I referred
to my MEMO 211185 p[redacted] and questioned the way it was displayed
to me and supposed [redacted] this cargo was the same as in my memo
indicated. This was [redacted]

[redacted]

PHASE II - Positioning

Our Boeing [redacted] had just arrived [redacted]
[redacted] The aircraft was taken over by [redacted] and [redacted]
departed to [redacted] Capt [redacted]
had the order that upon the receipt of the code "Calia" he would
find an excuse for the customer and depart [redacted] Aviv, filing
officially for [redacted]. Traffic rights for [redacted]
[redacted] were tentatively applied for by our [redacted] should
this become necessary.

Our second Boeing was parked in [redacted] and [redacted] not depart before
the airport opened the next morning [redacted]
At the time I had made the agreement with [redacted] about 0100 (
The crew [redacted] which was supposed to [redacted]
[redacted] the next day [redacted] was therefore alerted concerning
the early departure of this aircraft for Tel Aviv. After the
airport had opened the fuel company was available for fuelling
this aircraft [redacted] At about this time I was
informed by Copp that pallets had to be taken along. [redacted]
[redacted] Our own pallets were stored in the

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hangar. [redacted] Due to the shortage of time we decided to let the aircraft fly [redacted] to pick up the pallets instead of transporting them [redacted] ground transport.

[redacted] The pallets had been put on a forklift in the meantime and our mechanic was waiting for the aircraft to arrive. After the aircraft had arrived the pallets were loaded and the aircraft continued to fly to Tel Aviv after having refuelled a little because of the extra flying time [redacted].

In the meantime Capt [redacted] together with [redacted] and an additional loadmaster [redacted] had arrived from Paris via train and were also on board when the aircraft departed finally at about [redacted] It arrived [redacted] TLV at [redacted] (23 Nov)

Due to this departure delay, Copp had requested from me to also put the second aircraft into this operation due to the utmost urgency of the mission. It was Therefore the code word was transmitted [redacted] and after unloading [redacted] refuelled and departed to TLV [redacted] The overflight rights had been granted in the meantime [redacted] landed at [redacted] on the 23 Nov in TLV.

PHASE III - Loading

Although Richard Copp, [redacted] had said to me that the loading was planned to take 5 hours but would be speeded up to 2 hours, [redacted] which had first arrived, had loaded one piece out of 19 pieces in 4 hours. Therefore at this time all concerned parties were concerned that the [redacted] would take as long as possibly 24 hours. Therefore and [redacted] obviously traffic rights had not been granted [redacted] I was told that now the load had to be transported [redacted] TLV. This confirmed my initial suspicions and it was obvious to me that several things had to be changed. (Copp [redacted] hours before that the traffic rights in [redacted] issued and that was [redacted] before my crew told me that in TLV everyone knew that they had already been turned down and that the real dest was THR)

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I was given the contact of Mr.A.Schwimmer in TLV by Mr.Copp and talked to Schwimmer several times on the phone. I told him that we could not fly to THR with an American registered aircraft and that we therefore had to unload [redacted] again [redacted]. He tried several times to convince me and even offered to paint a different registration on the aircraft and do some kind of formation flying into THR. Keeping in mind that all phone conversations to Israel might be listened to, I told him that we were a normal Airlina and wanted to stay in business for a long time to come and that the only way to do it was the correct way for us to do it. Therefore [redacted] was unloaded again. In addition to that I explained to him that we needed traffic rights to overfly [redacted] which we had applied for tentatively the moment the real nest. had come out, but only for [redacted]. And also we estimated that it would take time to get those rights. In addition I had conferred with [redacted] and was told that those traffic rights would be supported diplomatically and that we could count on them.

I was in touch with Schwimmer all the time and verified all [redacted] them. In fact [redacted] was in Schwimmers home and we realized there that we needed 30 000 USD in order to go to the [redacted] destination because we had not planned on it and therefore had not enough cash with us. Also we did not trust them that everything was paid in THR. Schwimmer came up with 8000 USD after lenghty discussions because it was Sunday in the meantime and we could not get more money.

PHASE IV - Flight [redacted] performed

According to the new agreement between Schwimmer and [redacted] had been unloaded again and departed [redacted] on Sunday the 24 Nov. [redacted] did this flight and took all extra crew back except for the second loadmaster because it had become obvious to us that the TLV/THR route could be flown by one crew due to the lenghty loading and [redacted] unloadg proc[redacted] rights for overflight [redacted] had been confirmed [redacted] with [redacted] as soon as it was loaded. However, the last mome[redacted] they decided [redacted] land [redacted] This required additiona[redacted] funds by us [redacted] defuelled in TLV becaus[redacted] it would ha[redacted] [redacted] and had to refue[redacted] this miss[redacted] money but [redacted] after lon[redacted] discussions [redacted] Schwimmer [redacted] supplied another 2000 USD which gave [redacted] about [redacted] together with the cash he had in his ships funds

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Finally we gave the green light for [redacted] to take off and he left TLV with [redacted] on the 24 Nov.
Since arrival it had taken him exactly 24 hours for loading and clearing all the problems.

After arrival [redacted] had new problems as the customer and especially the military in TLV had not only not given him any documents for the load but also had taken out every evidence which might have proved that the aircraft was in TLV.
Customs [redacted] therefore did not want to release the aircraft unless documents were produced and therefore the load also had to be inspected. Finally [redacted] wrote a cargo manifest himself, which was accepted although it had no stamp of the departure point and finally he could talk his way out of this situation. Finally he therefore left at [redacted] direction [redacted] as planned.
However, nothing was prepared for overflight [redacted] and he had again to talk his way through. Since they repeatedly insisted on a diplomatic clearance number, he made one up which was not accepted after long negotiations and then he filibustered one hour and 30 min his way [redacted], using different altitudes, positions and estimates that he told [redacted] with whom he was obviously in radio contact.

However, radar realized his off- positions which gave additional re for arguments and [redacted] delays.
At the THR border he received without any problems but he did not have to say the [redacted] code "I am coming for Mustafa" because Radar treated him very normally.
Finally he landed [redacted] on the 25 Nov(monday)

PHASE V - Unloading

After landing in THR the aircraft had to remain on the runway for about 10 min until a "follow me" came and directed them to the parking area which was on the military side.
The landing had been done on runway 29 r and the aircraft was directed to the south of this runway onto the the north/west part of the southern military apron. At this location the aircraft had parked also during our last flight to THR a few [redacted]. It is a special area which is surrounded by a high fence to the outside so that people outside the [redacted] cannot see the aircraft.
[redacted] was first contacted by an officer [redacted] who directed the unloading later and who told him that they did not know about this flight and were surprised that it [redacted] come [redacted]
30 min after arrival a civilian with a [redacted] on his back arrived at the aircraft and asked [redacted] loading [redacted] first: "What are the nationalities of the crew, what is the cargo, where do you come from ?"
Then he talked to [redacted] telling him that he should not

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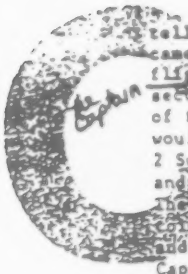

tell anyone including the military where the aircraft really came from. He then mentioned that they were expecting 4 more flights from TLV. He would like to see the same crew then due to security. When [redacted] was asking for money or arrangements of fuel, parking etc. he told him not to worry and that everything would be taken care of.

2 Supervisor then started to direct the unloading, one military and one civilian with submachine gun.

The crew was sent to the officers Headquarters where they were told again by the civilian to keep their mouth shut about this and not talk to anyone about their mission.

Capt. [redacted] then told him that our crew did not want to pass through passport and customs control because during the last flight it had taken several hours and they wanted to avoid that this time as they expected a quick unloading and then had to leave again. Therefore the civilian took them in a car through back roads off the airport and was not checked or stopped at the gate although even military had to present their id - cards at that gate.

The trip to the Hotel took one hour and finally they arrived at the former Sheraton Hotel.(Different name now, could not remember)

All rooms were occupied and therefore they had to take a suite together. After being in the hotel for about 2 hours to the surprise of the crew they got a phone call that the aircraft was unloaded and that they could be picked up in a few minutes. This was 6 hours after the aircraft had landed. [redacted] had remained at the airport for some time to see that the unloading really took place and that it was done correctly. Then the time in the office [redacted] and the trip to the Hotel had taken some time.)

However, after this alert it took 2 hours until the car finally arrived. In the meantime the civilian had apologized several times and the crew was offered coffee and cakes.

After arrival at the airport through the "backdoor" [redacted] required a permit number for overflight [redacted] in order to avoid the problem he had coming in. He refused to leave without. Therefore he and the civilian went to the Tower from where they tried to [redacted] obtain this number. After about 2 hours of trying [redacted] told them that the flight was ok but they could not get a number. Also [redacted] told that the Air Defense of Iran was informed and that [redacted] leave now which he finally accepted.

When the crew was taken over to the aircraft [redacted] realized that the aircraft had been towed to the civil [redacted] the meantime and that it was being fuelled by civil [redacted] him because when [redacted] asked for full tanks (or [redacted] after all those problems which I was [redacted] had called [redacted] via Telefone from the Hotel, I [redacted] possibility to take the aircraft directly back [redacted] if necessary) the civilian who had received him was very disappointed because he realized that so much fuel was not needed to go back to TLV. However [redacted] told him that he needed the extra for security.

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PHASE VI - Return flight

The aircraft took of at [redacted] on the 25 Nov, after 14:35 hours on the ground in THR.
The aircraft was directed by radar off the airways a little more to the north than normally, close to the Russian border.
Al[redacted] was given a special exit time which he had to meet in order to comply with the Iranian Air Defense.
Approaching Tabriz the aircraft was ordered down from FL 350 to FL 280, shortly before reaching [redacted] border again up to FL 350. (reason unknown).
No transponder was used in the Iranian airspace.
After arrival [redacted] was told by radar that th time he was accepted but that in future for further flights, the ok of the civilair was not enough but that he had to get also the ok of the Ministry of foreign affairs and that otherwise the aircraft would be turned back.
Based on all this information, I ordered [redacted] via radio to proceed directly [redacted] which we had planned initially.
The aircraft arrived [redacted] 26 Nov.

GENERAL CONCLUSIONS

The mission was poorly planned and directed by our contract partners in a amateurish way.

1. [redacted] that for about a week with [redacted] that the [redacted] from [redacted] to THR.

2. Copp was sitting in [redacted] although [redacted] was [redacted] not flown to and he as our contract partner could not [redacted] what was going on in TLV.

3. In TLV the aircraft was on the milita[redacted] loaded by high ranking military personnel who we[redacted] comed to this type of work. (The lowest ranking [redacted] Lieutenant) In addition they did not work much a[redacted] many coffe brakes.

4. A certain Mr.A.Schwimmer which was introduced to us by Copp as the representative in TLV of Copp[redacted] was very pushy with the military, sometimes to a point where he was insulting, but he did not understand the special aviation problems and did not have things under control. I.E. He seriously proposed to the Captain [redacted] to change the registration of the

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the captain

[redacted] aircraft and to forge the respective papers " in 2 hours". This was turned down by [redacted] and also by myself when Schwimmer mentioned it on the phone due to the before mentioned reasons.

Also the cash money which Copp had promised was not available and Schwimmer apparently did not know about this requirement.

5. The routing changes, destination changes, involved traffic rights were done too late and the crew grew more and more insecure as they are not used to this type of makeshift Airline direction and control.

6. The mission was still performed successfully because of the initiative the crew had displayed and because they are used also under adverse circumstances to complete the mission before problems will be discussed. However, this is not the way it can be done repeatedly because the good will will be worn out.

PROPOSAL

As Aviation is a ve[redacted]plex business which requires a lot of experience from all [redacted]rned and also because the feed back information is so v[redacted]for the operation, the directly involved employees have to b[redacted] of the decision making and planning as early as during the contracting stage.
Had it not been a special flight, I would have delayed for about 2 days after I had learned about the change of Destination in order to have enough time for correct planning and the aquisition of the necessary traffic rights.
The little radar controlle does not know political decisions and will not even be informed by his superiors. We experienced that time and again. Therefore all those things have to be presented in a normal way so that the controller simply has a dip[redacted] clearance number like he has for every other aircraf[redacted] this flight will look totally normal for him.
In other words: Those flights can be perf[redacted]ut any problem by only with the proper planning.
In order to have proper planning, the m[redacted] of [redacted]irline, who happens to be myself, should be heard b[redacted] con[redacted]ing or making commitments to third parties an[redacted] of the planning process.

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RE[redacted]

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I therefore suggest that during the preparation process I should be invited to the meeting of the departments which are involved in [illegible] decision making.

[redacted]

I realize that there is the aspect of security and that the [illegible]s have to be done in a clandestine way. However, it cannot be worse than it was during this last mission and it could never been performed totally clandestine, had the above proposed meeting taken place in advance.

In addition to that, my presence during [redacted] could provide the concerned officers who represent the different departments with useful feedback information so that for future planning some things can be ruled out right away without even going into detail whereas others can be accepted right away without checking details.

In addition to that [redacted] single missions or tasks to be performed should be part of a [illegible]ategy which I am sure exists, but which I am not aware of in detail. Knowing the all-over strategy it would be easier to [illegible] certain missions and it would even be easier to plan the [illegible] budget which defines whether new airplanes have to be [illegible]chased/leased or others have to be sold.

In short: I would a[illegible]ate if I could be given more responsibility by being more part[illegible] team as far as the planning of the aviation aspects ar[illegible]erned. I think it is a waste of experience and information whe[illegible]s not made part of the planning process. I also like to make sure that I am not on a "ego trip", but that I have the success of our company in mind which last not least is also the success of this country.

[redacted]

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DO 26218

20 Apr 82

CIIN 2533 HQ-TSC

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25 November 1985

SUBJECT: NSC Requirement for Covert Airlift

At the request of the NSC on 24 November, [redacted] proprietary Boeing 707 transported sensitive cargo from Tel Aviv to Iran. This was a fast breaking requirement for a controlled non-U.S. registered commercial airlift. We are pleased [redacted] proprietary was able to successfully handle this sensitive and dangerous airlift which involved a routing from Tel Aviv to [redacted] over [redacted] into Iran. The aircraft is still unloading in Teheran and should depart this morning. More flights are expected this week.

[redacted] 29 Nov 85

Distribution:
Orig - DDO
2 - [redacted] chrono [redacted]

AIRLINE PROPRIETARY
PROJECT OFFICER EX. #4

[redacted], Declassified/Released on 22 June 1987
under provisions of E.O. 12356
by S. Reger, National Security Council

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REVIEWED FOR RELEASE
DATE 22 DEC 86

CL BY [redacted]
DECL OADR
DRV HUM 4-82

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(NIH) #242

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AIR PROP PROJ OFFICER

DEPOSITION EXHIBIT 5

MEMORANDUM 3/1185

Re.: TLV/THR flt Display of company

In the initial contact with Copp and also later in discussions with Schwimmer, I stressed the financial points and gave them the impression that I was mainly interested in the money.

After the first flight when I had gone [redacted] and Schwimmer called me on Tuesday in my office [redacted] I told him that the money had not arrived yet as promised and that before we discuss it further, we needed our money.
He then said that he was not our contract partner, but Copp. When Copp called again from [redacted] I told him that he should come [redacted] to meet with me and to discuss his payment. He was very amazed that the money had not come in yet and that he could not come because [redacted] had to go back [redacted] to "save 225 000USD" He then promised to [redacted] sure the money would be transferred as soon as possible.
Alltogether they must [redacted] had the impression that they were dealing with a merce[redacted] airline and that we were just doing a job to make money.

The same impression [redacted] de in TLV in discussion with Schwimmer by Capt. [redacted] the main points were how to get enough cash money an[redacted] to handle things the commercial way. I.e. [redacted] Schwimmer that he would only fly after final ok by myself which would come after I had agreed with Schwimmer about the money and the cash which he had to get.

the captain

[redacted] we had the excuses of having a urgent relief flight/landing gear problems and after the airplanes returned from the trips everything went back to normal and no questions were asked.
The crews did not talk to anyone about any company matters in TLV or THR and all concerned should have [redacted] impression that a business was conducted in a professio[redacted]

Partially Declassified/Released on 24 Jan 88 under provisions of E.O. 12356 by K. Johnson, National Security Council

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ACTION

[redacted]

85 [redacted] ASZ PAGE 001
TOR: 25 [redacted] NOV 85 IN 9110344

[redacted]

[redacted] 25 [redacted] NOV 85 STAFF

CITE [redacted]

TO: FL[redacted]

[redacted]

Partially Declassified/Released on 23 June 1987
under provisions of E.O. 12356
by S. Reger, National Security Council

SUBJECT: NSC REQUEST

REF: [redacted]

AIRLINE PROP.
PROJECT OFFICER
EXHIBIT #6

1. ACTION REQUESTED: FLASH RESPONSE SOONEST TO REF AND FOLLOWING.

2. [redacted] MET WITH AMB [redacted] AT [redacted] HOURS. AMBASSADOR WAS ALSO CONVOKED. [redacted] QUITE UPSET [redacted] ULTIPLE FLIGHT PLANS RECEIVED, FACT FIRST FLIGHT CAME DIR[redacted] FROM [redacted] AND DID NOT REQUEST CLEARANCE BEFOREHAND AND [redacted] CTING STORIES ABOUT PLANE'S CARGO. [redacted] TOLD [redacted] IT [redacted] INDUSTRY SPARE PARTS, TELEX FROM CARRIER STATED MEDICAL SU[redacted] AND THE PILOT TOLD GROUND CONTROLLERS HE WAS CARRYING MI[redacted] EQUIPMENT.

3. [redacted] CARRIED THE CAN ON THIS SO[redacted]T TO INVOLVE AMBASSADOR AND DEPARTMENT (DEMARCHE WILL NOT BE [redacted]ED OTHER THAN IN THIS CHANNEL).

4. BOTTOM LINE IS THAT [redacted] STILL[redacted] TO ASSIST BUT HAS DEVELOPED A LITTLE CYNICISM ABOUT OUR INTERACTION WITH THEM ON THE MATTER. [redacted] AGREED THAT FURTHER FLIGHTS COULD PROCEED SUBSEQUENT TO [redacted] ALSO INSISTS THAT PLANES FOLLOW NORMAL PROCEDURES, I.E. REQUEST OVERFLIGHT CLEARANCE, AND THAT THEY DO NOT SHUTTLE FROM [redacted] AS NOTED [redacted] PLANES MUST NOT COME DIRECTLY FROM [redacted] THEY SHOULD TURN WEST AND PICK UP OTHER ROUTING. EVEN BETTER, WOULD BE NOT TO UTILIZE [redacted] AT ALL. [redacted]

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5. ANOTHER MATTER REQUIRING CLARIFICATION IS THE QUESTION OF AIRCRAFT. [redacted] HAS IMPRESSION FROM PAPERS FILED BY CARRIER THAT SAME PLANE TO BE UTILIZED AND SHUTTLE FROM [redacted] THAT IS [redacted] IMPRESSION FROM EARLIER TRAFFIC. PLS CLARIFY.

6. THE SITUATION NOTED PARA 2 REF, I.E. SECOND FLIGHT [redacted] THIS MORNING DID NOT EVENTUATE. WE NEED, HOWEVER, TO TRY A[redacted] EXPLAIN AWAY THE MULTIPLE FILED FLIGHT PLANS., IS IT PROBA[redacted] THEY REPRESENT PLANNING PRIOR TO THE RESTRICTIONS PLACED O[redacted] FLIGHTS BY [redacted] IF SO, WAS THERE A BREAKDOWN IN COMMUNIC[redacted] CHARTER CARRIER DID NOT GET THE MESSAGE? THIS IS A POSSI[redacted] EXPLANATION [redacted] PRESENTED TO [redacted]

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7. IN ANY EVENT, WE ARE GOING TO HAVE TO TRY AND SA[redacted] THE [redacted] POINTS OUT THAT ATTEMPTS TO CIRCUMVENT THE GROUND RULES (EITHER CONSCIOUSLY OR THROUGH POOR COORDINATION) RUNS RISK OF A LEAK AND BAD PUBLICITY, HARMFUL MORE TO U.S. THAN [redacted]

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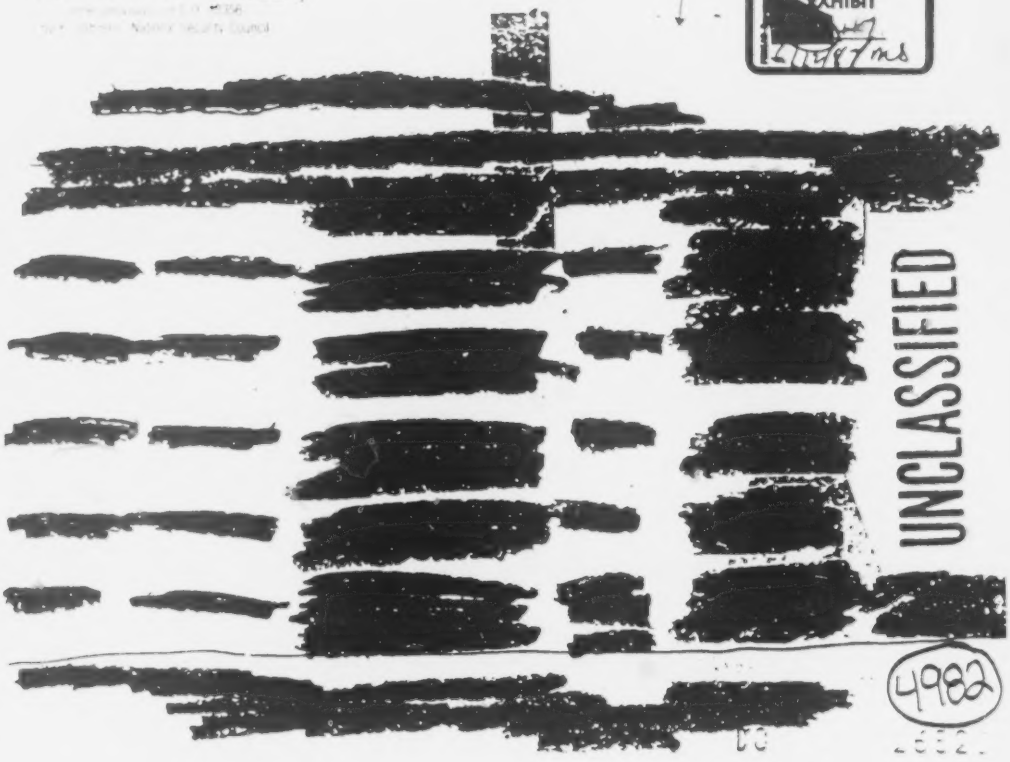
DEPOSITION EXHIBIT



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NO Date

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Special

[redacted]

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by K. Johnson, National Security Council

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CIIN 2545

1 Dec 86

DEPOSITION EXHIBIT [redacted] #9 [redacted]-87

UNCLASSIFIED

[redacted] 1986

MEMORANDUM

SUBJECT : 707 REVENUE VOUCHERS & FLIGHT TIME REPORTS

FROM : [redacted]

Attached please find copies of flight time reports covering dates of interest for both 707's [redacted] revenue vouchers showing payment for the flights, plus $8,[redacted] cash given to captain.

As I told you yesterday, 30 Nov, [redacted] is and was no bill of lading. In fact on landing [redacted] the Captain had to hand write on a plain piece of paper a [redacted] manifest to be released. I believe he listed oil drilling [redacted] ment as the cargo as this is what we were originally told t[redacted]d was.

If I can be of further help plea[redacted] me know , however this paperwork is the extent of info o[redacted] in my office re: this flight.

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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PE[redacted] 24Apr87

NO DATE

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DEPOSITION EXHIBIT #10 6-12-87

Reinforcement

[redacted]

A memorandum of [redacted] dated [redacted] stated that the following Key Personnel were not recruited as requested by [redacted]

[redacted] $177,000.

[redacted]

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DOJ 20 Feb 87

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CIIN 2546

KBC 0556

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TRANSCRIPT OF PROCEEDINGS

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UNCLASSIFIED UNITED STATES SENATE

HSIS 92 /87

SELECT COMMITTEE ON

SECRET MILITARY ASSISTANCE TO

IRAN AND THE NICARAGUA OPPOSITION

Deposition of FRANCISCO J. ALVAREZ

Washington, D.C.

28 May 1987

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UNITED STATES SENATE

SELECT COMMITTEE ON

SECRET MILITARY ASSISTANCE TO

IRAN AND THE NICARAGUA OPPOSITION

DEPOSITION OF FRANCISCO J. ALVAREZ

Washington, D.C.

Thursday, May 28, 1987

Deposition of FRANCISCO J. ALVAREZ, called for examination by the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, in Room 902, Hart Senate Office Building, 9:15 a.m., before LOUIS P. WAIBEL, a Notary Public within and for the District of Columbia, when were present:

JOHN SAXON, Esq.
Associate Counsel
United States Senate
Select Committee on Secret Military
Assistance to Iran and the Nicaraguan
Resistance
Room 901
Hart Senate Office Building,
Washington, D.C. 20510
On behalf of the Committee

ROBERT L. KREUZER, Esq.
House Select Committee

Partially Declassified/Released on 1-4-88
under provisions of E.O. 12356
by N. Menan, National Security Council

ROBERT J. WINCHESTER, Esq.
Special Assistant to the Secretary of the Army
for Legislative Affairs
The Pentagon

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By Mr. Saxon and By Mr. Posey	3

EXHIBITS

None

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PROCEEDINGS

Whereupon,

FRANCISCO J. ALVAREZ

was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. SAXON:

Q If you would, sir, state your name for the record.

A Francisco Jose Alvarez.

Q And what is your current rank?

A Major, United States Army.

Q What is your current position?

A I am a student at the Command and General Staff College.

Q And that's at Fort Leavenworth, Kansas?

A Fort Leavenworth, Kansas.

Q And when you graduate, where will you go?

A I'm being assigned down to United States Army South in Panama.

Q Prior to C&G School, where were you?

A I was in the Office of Defense Cooperation, San Jose, Costa Rica.

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Q What were the dates of that assignment?

A I reported on 15 September 1983 and departed on 15 July 1986.

Q And in your position, Major, in Costa Rica, to whom did you report?

A To LTCOL John Taylor.

Q If you would, I'd like to ask you some questions about what we discussed previously in our interview with you regarding private supply operations to aid the contras in Costa Rica, any refueling stops which you are aware of that took place.

What can you tell us about the refueling of airplanes?

A I know of three incidents where C7 Caribous came into the International Airport in San Jose for refueling. I personally was involved in the actual refueling and the coordination of it down at the airport on two of the three. The original one was handled by the OPS NCO, Sergeant First Class Sanchez, who also had been on the other two.

Q When you were told that these planes were to be coming in, how did you get that tasking? Who told you? How did it come through the chain, et cetera?

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A It came to me at my level from LTCOL Taylor.

Q And from whom would you get the information that a plane was coming in that needed to be refueled?

A It would have had to have been a combination. He would have possibly gotten the particulars on it from the [redacted]

Q And that would be [redacted]

A [redacted] yes, sir; however, knowing Colonel Taylor and the way he operated, I have got to assume it was also being reinforced or directed by the Ambassador at the time.

Q That would be Lewis Tambs?

A Yes, sir.

Q When you assisted on those three occasions or that you were aware of those three refueling flights, and you assisted on two of them, are you able to put any time periods on when those took place?

A The first one I remember, which was the one I did not physically assist on, but I am informed of, I am not really sure if it was late '85, early '86 time frame. The other ones were in the spring of '86.

Q Was there a flight which came in that had actually

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not dropped its load at the time?

A Yes, sir. That was the very first one that I just mentioned.

Q Okay. The other two came in for refueling, and they had already made their air drop?

A They were empty when they came in, yes, sir.

Q Tell us about the flight -- I believe it was a Caribou 7 -- which had not dropped its load yet.

A Yes, sir. It had come in in the early hours of the morning, right predawn time frame. There were problems in terms of clearing, because when they cleared it with the Costa Rican officials at the airport, to be able to get the plane refueled and get it back out, it was under the assumption the plane was empty. In fact, it was reported to me by Sergeant Sanchez that the plane was full of what appeared to be mail bags. The same bags that U.S. mail is carried in, which were stenciled with the letters "UNO."

The plane, after a quite of, you know, minor hassle and problems in getting out, because it was full, departed and developed some type of trouble -- engine or what, I don't know -- but it did, in fact, return a short while later. At that point, it took the efforts of Colonel

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Taylor, who was very good friends with the Commander of the Costa Rican Air Section, who is dual-hatted in the Costa Rican Civil Aviation, to be able to work together to get that plane out at that point.

Q And did that plane ultimately get out?

A It ultimately did depart, yes, sir.

Q Do you have any knowledge of whether it made its drop?

A No, sir. I do not know, from that point.

Q Do you have any knowledge of what was in those bags which appeared to be mail bags?

A No, sir. I could not say what type of aid it was.

Q You didn't see them yourself; is that correct?

A No, sir, I did not.

Q Sergeant Sanchez saw actually what went on the plane?

A He was the one that reported it to me; yes, sir.

Q And what do you normally assume the letters UNO stand for, or what would that represent?

A It would have been the acronym for the United Nicaraguan Opposition.

Q What did you understand or assume about these

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flights? I believe you told us yesterday, in the interview, that you assumed that these were flying cargo [redacted]".

Is that what you told us?

A Yes, sir.

Q What does that mean?

A [redacted]

We assumed that they were flying cargo, assistance of one form or another, to the contras.

Q Either on behalf of the CIA or at the request or under the contract --

A At least coordinated and directed by. I didn't know the inner workings.

Q Now in terms of things that you, and I guess, Sergeant Sanches, in an assisting role, would actually do for these planes, what would that consist of? I believe there were about three things described to us yesterday.

A Yes, sir.

The main things we would do is -- not necessarily in order -- but we would coordinate for the customs

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clearance, basically. Every plane coming into Costa Rica has got to go through customs when it first enters, the same as here, so that type of thing.

Now we coordinated with, based upon the relations we had built with the people in the airport, because the planes did not have the normal documentation that planes would carry, to include manifests, flight loads and all that type of stuff.

And secondly, it would be the clearing, basically, of the flight plan.

Q This would be with the tower?

A Yes, sir, with the airport tower. Now that we would actually begin before letting them know this plane was coming in. I believe yesterday I indicated in clarification that if it had what I would have called a bogus flight plan to come into the country, that would have been where it originated, but then something to be able to permit it to get out. And then the actual coordination with the Costa Rican refinery people who handled the fuel distribution at the airport for the actual refueling of the plane.

Q And in terms of the customs clearance process,

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did [redacted] ever tell you or Colonel Taylor how you should try to see to it that these planes were not searched by Costa Rican customs?

A [redacted] didn't tell me. The instructions I received with Colonel Taylor -- and instructions is perhaps the wrong word, because we, more or less, would discuss how was the best way to do this. I got the indication that he had been at least requested to keep people away, if possible.

Q Did you ever have occasion to talk to any of the crew members of these planes?

A No, sir. On occasion, yes, but as far as actually talking, no. The would come in, and they were busy refueling. We coordinated things and, you know, there's that concept of "need to know," basically, and I just felt I didn't have a lot more "need to know" at that time.

Q So you basically would make small talk with them?

A If that.

Q And did you ever see any crew members in a recurring role, people who came back a second or third time?

A I can't say. I don't know.

Q Major, what do you understand to have been the mission of these planes? What do you believe, based on the

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things you were either told or the inferences you drew, that they were actually doing?

A Dropping some kinds of supplies for the rebels, operating in the southern part of Nicaragua.

Q And what kinds of supplies do you think they were dropping, or did you know?

A Those particular planes I am talking about at this time, sir, I do not know.

Q Who told you anything that would permit you to draw that inference about supply drops in Southern Nicaragua?

A Well, sir, it was partly deduced just from the nature of the missions and what we were doing. Otherwise, it could have been completely, you know, handled by just routine types of things.

And then, secondly, was again, Colonel Taylor and I talking, based on what we had received from [redacted] that that's what these planes were doing.

Q Is it fair to say you were reasonably safe in assuming these drops were intended for the contras?

A Yes, sir.

THE WITNESS: Can we go off the record for one second? I just want to ask a question.

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MR. SAXON: Sure.

(Discussion off the record.)

MR. SAXON: Let's go back on the record.

BY MR. SAXON:

Q Major, did you ever ask Colonel Taylor if what you were doing in assisting these flights in refueling was okay or sanctioned or approved or whatever?

A Sir, the environment, the atmosphere we were operating under, at the time, at this particular point, aid, generically speaking, had been approved, the limited $27 million at first and later on.

Ambassador Tambs had repeatedly stated to anyone within hearing distance that his purpose or main mission in Costa Rica was to open up the second front, and he did it in quite an open fashion. Not just in secret conversation or whatever. Therefore, I felt no need to question the legitimacy of what we were doing.

Q Okay. Let me make sure then I understand what you are telling us.

You are saying that Ambassador Tambs said -- by "publicly," I don't mean to the general public, but he said openly to staff meetings or country team meetings or

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whatever on more than one occasion, his purpose in being there was to open up the southern front; is that correct?

A Absolutely, sir.

Q Would it have been at staff meetings, country team meetings, political-military meetings?

A Sir, it was all of the above. Conversations with him in hallways. He stated that quite often, quite frequently.

Q And so there's no mistaking that, in your view?

A No, sir.

MR. WINCHESTER: Can we go off?

MR. SAXON: Sure.

(Discussion off the record.)

MR. SAXON: Back on.

BY MR. SAXON:

Q Major, you, I think, mentioned a second front a moment ago, and I may have thought you said "southern front." Is this more or less the same thing?

A They are the same situation, sir.

Q Okay. Did Ambassador Tambs, in making these statements, ever indicate who sent him there with that mission or from whom he got such guidance?

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A No, sir, he never stated directly.

Q Let me ask you about the general guidance or instructions or approval that you may have gotten from the [redacted] -- you or Colonel Taylor -- in terms of your assisting these refueling operations.

What, if anything, did [redacted] ever say or do to indicate that this was sanctioned?

A I'm not sure I understand your question, sir. He was the one who provided the information to Colonel Taylor as to when they were arriving, when we could expect them, and that type of stuff. Obviously, he was the one who knew it, indicating they were the ones who had coordinated or at least it was relayed to me through Colonel Taylor that [redacted] in talking to Taylor, had indicated that to him.

Q And Colonel Taylor more or less took that as a tasking or an assignment?

A I would not believe so, knowing Colonel Taylor. I'm sure, as a matter of fact, just knowing Colonel Taylor, that before he would do anything like that, he was going to get the direction to do it from the Ambassador. I don't believe Colonel Taylor would have done that on his own.

Q So you assume that anything he did or instructed

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you to do in the resupply operations, the refueling operations, he would have gotten approval, either expressly or implicitly, from Ambassador Tambs?

el A Oh, absolutely.

Q What, if anything, did you tell Sergeant Sanchez about these missions and what it was you were doing or why?

A Sir, nothing specifically. First of all, even though the rank structure is different, in a very small office in Costa Rica, Sergeant Sanchez also reported directly to Colonel Taylor. He did not report through me, so he would get this information directly from Colonel Taylor also on everything else. So Sergeant Sanchez and I would have talked about them basically in terms of what was happening and what we were doing, and, you know, here we are, going back out to the airport again, that type of thing, but not in a direct type of thing.

Q Now, how did you understand that the fuel was paid for?

A I saw them paying in American dollars. It was not a matter of understanding.

would

Q And what it normally have cost to refuel a

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Caribou?

A If I remember correctly, sir, it was in the realm of $2000.

Q And you're saying they would pay cash?

A They paid cash. I saw that.

Q How did that work?

A The guy reached into his pocket, pulled out a wad of bills and started counting them off after we calculated what the conversion was.

Q And did you ever hear Ambassador Tambs make other statements along the lines of generally being supportive to the contra effort?

A Oh, absolutely, sir.

Q And what would be the circumstances under which he would have made such statements?

A Any time he had a public opportunity to talk. By "public," again I'm referring, you know, in a group, not necessarily out in front of the general public.

He was quite a strong supporter of the contra movement, no holds barred and no equivocation in his manner.

Q Did he ever make any of those comments in the presence of other government officials at either an

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equivalent or higher level than his own?

A There were meetings held where personnel from Washington had gone, sir. You know, discussions in that time, in some instances, just involved in a very general way without any real specifics about the whole rebel movement. I think anybody who knew him, particularly above him or coequal, would have been quite sure of Ambassador Tambs' sentiments.

Q Was there anyone ever there in the command ranks at South Com, when he made such statements?

A I really cannot remember. I remember one meeting that this was not the exact topic, that General Galvin may have been there, but I just am not real sure. I can't place it definitely.

MR. SAXON: Let me say, for the record, that when we make reference to the fact that you told us something yesterday, I should have said from the outset that Mr. Kreuzer and I interviewed you yesterday morning at the Pentagon in the conference room of the Army General Counsel, and so that is the interview to which I make reference.

BY MR. SAXON:

Q I believe you told us yesterday about seeing

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fluctuations from time to time in the number of people working [redacted].

What can you tell us about that?

A Yes, sir. When I first arrived in '83 and maybe in the very early part of '84, a certain amount of people in the '84 time frame. That number went way down, then in early '85, I believe it was, it started climbing back up again, until by the time I left, it had just sort of gone up and down.

Q Was that a particular section that you have reference to?

[redacted]

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[redacted]

Q And what would have been the triggering event or the causal factor to make that number fluctuate?

A Thinking back on it, sir, I would have to say approval of some form of assistance.

Q Assistance to whom?

A To the Nicaraguan opposition.

Q Major, we covered yesterday, in some detail, the existence of an air strip that was constructed in Costa Rica, which the committee staff understands to have been used for resupply operations.

Tell us, if you would, first, more or less where that air strip is located.

A Yes, sir. That air strip is in the [redacted] of Costa Rica, [redacted]

Q [redacted]

A [redacted]

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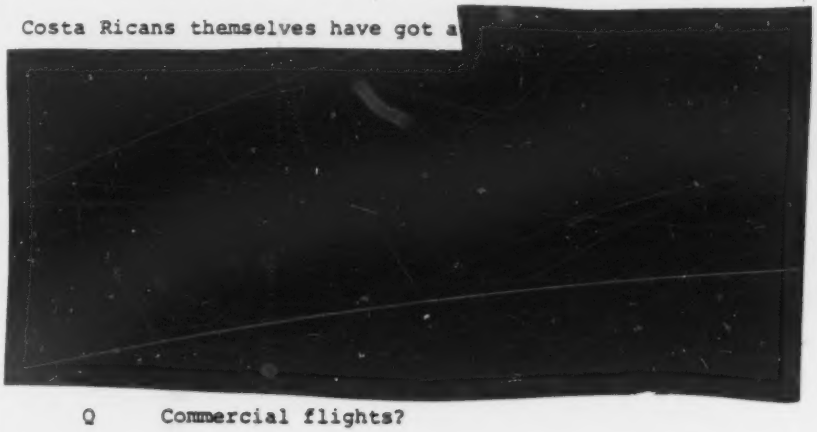
[redacted]

Q Do you have any judgment you could offer as to wisdom of that location, if you wanted to keep it secret?

A I thought it was a dumb place to build it.

Q Why is that?

A Well, sir, two major reasons. One is the Costa Ricans themselves have got a [redacted]



Q Commercial flights?

A Yes, sir. And even from the air, it's not improved enough to be a country's international airport, but it's too improved to be a clandestine drug strip, and that lent -- you know, if you have any knowledge at all, you've got to suspect someone is flying things in and out of there.

Q You're saying it was a bit conspicuous?

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A I felt it was; yes, sir.

Q How did you first learn of its existence?

A In the first manner I just mentioned. I was going up, basically conducting a visit at the Training Center that was over there, flying with a Costa Rican pilot and a Costa Rican Air Section plane, who was quite fluent in English. And we happened to fly over it. He looked down and said, "Holy shit, what's that?" At which point I looked down and repeated what he said. He was going to report that back when he returned to San Jose immediately. I asked him just to hold off before reporting it and let me just check a few things out. When I returned to the Embassy, then I spoke with Colonel Taylor and got the run down.

Q And what did Colonel Taylor tell you?

A That that, in fact, was an Agency-built strip or at least financed strip, being used to reserve or refuel any planes that were going to be making drops.

EXAMINATION

BY MR. KREUZER:

Q At the point when you arrived with this Costa Rican pilot at that strip, tell me, was that a flight where he genuinely had just discovered the air field, or was that

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a flight that may have been a pretext on his part or on the part of somebody in the Costa Rican government to take you up and let you see him just discover the air field?

A Sir, I can't answer. Let me just say, the route we took was the most common one to get to the [redacted] He would not have had to fly out of his way to show it to me, when I said, "I want to go up there." I was the one who originally laid on the trip to go to the [redacted] Now whether he had seen that before or one of the other pilots in the Air Section had seen it and were trying to figure out and learn more about it, I don't know. However, Costa Rica, at this time, was very big on identifying all unknown air strips in the country in an effort to close down on drugs. So I suspect that if they had seen it, without anybody having said anything else to them, they would have reported it. And to the best of my knowledge, Civil Aviation in Costa Rica at that time did not have any knowledge of it.

Does that answer your question?

Q That was a common route?

A Yes, sir.

Q So would it be fair to assume, possibly, that that route had been flown many times before by Costa Rican

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pilots looking for --

A No, sir, because it is a common route to get up to the [redacted] where we were talking or, you know, the commercial planes, as I indicated. But unless you are going to that [redacted] they just didn't fly up there too often.

Q Would there be any occasion for the Costa Rican Air Force to fly up to that [redacted] at all?

A Very, very few, no, sir. The Air Section, basically, yes, you're getting down to the base section, the Costa Rican Air Section, basically operated an air taxi service. That's about what it amounted to.

MR. KREUZER: Thank you.

EXAMINATION

BY MR. SAXON:

Q Major, I believe you said, when you returned from flying over this air strip, you talked to Colonel Taylor about it.

Did he indicate whether he had been briefed by anyone about the air strip?

A Yes, sir. In his answer, he indicated to me that [redacted] had briefed him on the strip. Possibly even

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before the actual construction, in helping, or in finding someone to undertake the effort.

Q Was it your understanding that in some way the construction of the air strip was an Agency project?

A It was my understanding, the Agency completely footed the bill for the construction of that air strip.

Q Was there any individual whom you came to know or understand would have been what we normally think of as the general contractor for this construction?

A Again, sir, without any concrete proof, but just on a lot of basically circumstantial type evidence, that it

[redacted]

Q

A

Q And how did you conclude, or what led you to draw the inference he may have been involved in sort of a general contracting role?

A There were two things. For one, he suddenly,

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even though he was by Costa Rican standards, a wealthy man,

[redacted] Then a second incident was where he had come in to the Embassy and had gone somewhere else in the Embassy. Now I cannot say for a fact where, but suddenly he showed upstairs in our office, escorted. He had been down to see another individual who he thought was selling a car, and he was carrying just a regular paper bag with $20,000 in $20 bills in it.

Q Is that U.S. dollars?

A Yes, sir.

Q $20,000 cash?

A Yes, sir.

Q That he wanted to use to purchase a vehicle?

A Yes, sir.

Q As far as you know, did he purchase a car?

A Yes, sir, he did. He purchased a pickup truck.

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Q Was it a new or used truck?

A It was used. A 1982-83 pickup truck.

Q I hope he had a few dollars left over.

A I understand he had quite a few of them left over.

Q Did you ever discuss the air strip yourself with [redacted]?

A He discussed it with me. I didn't discuss it with him.

Q And, Major, how did that discussion come about?

A There was one individual who worked [redacted] that I had a good working relationship with.

Q This would have been a man named [redacted]?

A [redacted]

A few days after this, Colonel Taylor was out of town, and I ran into him in the hallway and just started joking with him about it.

Q Excuse me, a few days after you had first seen him and talked to Colonel Taylor?

A Yes, sir.

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Q You ran into your friend [redacted]?

A Yes, sir. So I started just jibber-jabbering, asking him if they were going to open up a tourist resort up here, since no other reason for a strip of that type, and he gave me just a totally blank look. I mean, he had no idea -- and I am convinced he had no idea what I was talking about.

As it turned out, there was another individual, whose name I don't remember, but I always called him [redacted], who was standing by the other door, and apparently [redacted] had been the guy who had originally coordinated or done the leg work for the building. He reported it to [redacted]

Q He overheard your comments?

A Yes, sir, he did. So he reported to [redacted] that I knew about it and was talking about it. [redacted] called, actually wanting to speak to Colonel Taylor. As I indicated, he was not in, so the call was given to me, at which point he informed me that -- the first thing he asked me was if Colonel Taylor had told me about it, and I indicated no, indicated to him how I found out about it, and that then I had spoken to Colonel Taylor, and he had confirmed what I had suspicioned, but it had not

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originated with Colonel Taylor. At which point he told me that the way his operation and organization worked, not everybody knew what everybody else was doing, and that he'd rather I didn't talk about anything that I may find out that some of his people were doing with any other people from his own organization, because the way they were set up, they didn't necessarily, as I say, know what each other was doing.

Q Was this entire conversation on the phone, or did he ask yqu --

A No, sir, this was entirely on the phone.

Q Did it end with any admonition to you to not talk about the air strip?

A Yes, sir. It was, you know, not formal or strong, but a mild rebuke. At least I took it as such, you know, that I don't need you talking about it.

Q To the extent you care to comment, did you form an impression about [redacted] and those people who were working for him?

A Yes, sir, I did. In three years there in dealings with them on different matters, some of which totally unrelated to this whole issue, I just felt it was about the most incompetent organization I had ever seen and, frankly,

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I was terrified that those were the guys who were trying to conduct any part of U.S. foreign policy.

Q Did there come a time when a particular airplane that was using the air strip for refueling operations had a problem of getting out?

A Yes, sir. There was one that landed, and in taxiing to the end of the runway to turn around, it came off of the strip and got stuck in the mud.

Q Was this a loaded or unloaded plane?

A It was loaded, sir.

Q And how did you come to know about it?

A By this time, Colonel Taylor and I, who had really developed a very good working relation, was keeping me apprised of what was happening. I am, as I indicated, 99 percent sure this was sometime after the 8th of May 1986.

Q And why do you date it that way?

A Sir, because the Costa Ricans' inauguration, if I remember right, was the 8th of May 1986.

Q Inauguration of?

A Their new president, who had been elected early in February.

[redacted]

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[redacted]

Colonel Taylor, basically, had kept me apprised, but at the same time, indicated to me, if I am ever brought in on it by either the Ambassador or the Agency, that would be the first time I was hearing it, and that's how I found out about it.

Q Did Colonel Taylor -- let me ask it this way.

Was Colonel Taylor asked to make recommendations for the plane to get the plane unstick from the mud?

A Yes, sir. By this time -- Colonel Taylor is a seasoned pilot, both fixed wing and helicopter, knows a great deal about planes, and when they were talking about trying to get another plane in there to pull it out, he was the one saying, "Forget that idea." So he, in fact, was requested or brought into the conversation.

Q And did he offer a proposal?

A Yes, sir. He and I pretty much together, in discussing the possibilities had come up with what we felt was probably the best workable solution, because what it

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amounted to at that particular time was, the only way that plane was going to get unstuck was going to be to offload its cargo.

A And did you know or were you made aware of what its cargo was?

A Yes, sir. I was told straight out that it was ammunition. Ammunition and -- small round ammunition and hand grenade mortar ammunition.

Q . Continue with your discussions with Colonel Taylor about the plan to get it out.

A Okay. Sir, what basically we had come up with, whic was then presented to [redacted] and the Ambassador, was that I would go up there. At that particular time, the construction at this [redacted] I mentioned earlier was going on. I would go up there and basically borrow -- and I was convinced I could -- a couple of construction trucks that they had.

Even though there was no road out to this strip, you could follow the coast line, which was hard enough to be able to be able to work your way through it, you know, after a whole lot of hours for a few miles. We would offload all of the ammunition, take it to the [redacted] and just

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donate it to the [redacted] as if it had all along been an actual security assistance delivery coming into the country that was initially intended for that [redacted] anyhow.

What they felt, that covered the base if anybody asked, "What the hell is it doing up there?" It could have simply been just kind of brushed off with the belief it was supposed to go to the airport in Liberia which was in that general area, and that a new pilot got confused, saw this big strip and thought that was it and landed in the wrong place.

Q This was a civilian aircraft?

A It was a C-7 model. Most of these flew with no tail markings of any kind. I am trying to think of the English word for -- registration number. Most of them were some kind of -- the ones I saw were like a yellow base camouflage pattern.

Q Did you have reason to learn the origination point for this flight?

A Sir, I was told that that flight had originated, as had the others, in [redacted]

Q That would have been [redacted]?

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A I was not told exactly, you know, where in [redacted] I assumed it would have been [redacted], since that was military controlled.

Q Did Ambassador Tambs ever comment on where this plane was destined.

A Yes. When we were having the meeting where it was determined I would go up there to try and offload it, if need be, he indicated that that plane was going to make a drop of those ammunition and supplies to the southern front forces who were in Nicaragua.

Q In Nicaragua?

A Yes, sir.

Q Tell us about that meeting. Colonel Taylor apparently had been asked to come up with a plan, you and he talked about it, and then there was a meeting.

Who was present at the meeting?

A Colonel Taylor, [redacted] Ambassador Tambs and myself were the only members.

Q And it took place where?

A In the Ambassador's office.

Q What transpired?

A Colonel Taylor had a requirement to go to Panama.

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I don't remember the exact nature of it, but he would have to leave. As a result, I was brought in and briefed by Ambassador Tambs, as I said, as if it was the first time I was hearing it, since neither Colonel Taylor nor I let on that he and I had spoken about it.

I was told by Ambassador Tambs how that plane got there, when it got there, what had happened to it, what it was for and that something had to be done to get it out. I was told by him that Colonel Taylor had come up with what they felt was an absolutely brilliant plan to get it out and that, based upon all recommendations and knowledge of the people, area and all, I would have been the only guy really available, as such, to be able to execute it, and then they proceeded to brief me on what the plan was.

EXAMINATION

BY MR. KREUZER:

Q In fact, you were, were you not, one of the architects of the plan?

A Yes, sir. Colonel Taylor and I, basically, were sitting in a place in front of the Embassy, you know, about 3:00 o'clock, in a very private area, just kind of mulling it over, and sort of got synthesized out of both bits of

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information.

EXAMINATION

BY MR. SAXON:

Q Just in case we haven't overlooked anything for subsequent readers of this transcript, the air strip itself was not paved; is that correct?

A No, sir, it was not. It was packed.

Q So the entire thing was unpaved, so it is not a matter of unloading the plane, getting it back up on the concrete runway and putting the cargo back on?

A No, sir. Even though it was packed hard, it was not paved. However, that is exactly what they did do to eventually get that plane out. They unpacked it where it was, which removed the weight, and whoever they had, you know, pushed it out of the mud up onto the runway into a hard part, hard packed, then reloaded it, and it could take off.

Q What was the result or disposition of things in this meeting with Ambassador Tambs, Colonel Taylor and [redacted] and yourself?

A I would be on call, because they were still trying to get this plane out. There's no communications from that strip to San Jose, sir, so it was kind of like

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periodically they'd hear something. The determination was that if they couldn't get it out of the mud, I was on call to leave, you know, on a moment's notice to go and execute that plan.

Q And was that the point at which you were told to, in essence, stand down?

A Yes, sir; if a phone call came during the evening, I was told to stand down, it's going to make its drop, and we can forget about it.

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Q Were there comments made to you by other individuals? I believe you told us yesterday, perhaps some people involved with that [redacted] would indicate that traffic did come in and out of this air strip?

A Yes, sir. The personnel up at the [redacted] would comment about the number of low level flights, you know, buzzing them in the early hours of dawn that were just mysteriously disappearing behind that hill, and then later they see it again, heading north. They would come from the north and then go back towards the north. I can't give you any figure on the quantities. I just don't know. But it wasn't at all an uncommon occurrence either.

Q Is there any doubt in your mind what that air

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strip was used for?

A No, sir.

Q And what would you say it was used for?

A It was used to refuel and do whatever needed to be done to any of the planes that were making aerial drops in the southern part of Nicaragua.

Q Were you aware of any news stories in the earlier part of 1986 about this air strip before these matters as we now know them became public in November?

A Any news stories?

Q Yes, sir. By newspapers about this strip and this construction and what it might have been used for?

A None of the newspapers, sir. Not that I remember.

Q And I would assume from that answer that you have no knowledge of any efforts by any individuals in the U.S. Government to concoct a cover story for what that air strip was being used for?

A Not that I know of, no, sir.

Q Let me ask you, Major, about any meetings, briefings or dealings you may have had with Colonel Oliver North.

Have you ever met Colonel North?

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A Yes, sir, I have.

Q And I believe you told us yesterday that you briefed him on two occasions?

A I didn't brief him. I was in a briefing where he was at on two occasions, yes, sir.

Q Was there anything of significance or note about the first meeting?

A Not that I remember, no, sir.

Q If you would, then, I think, focus on the second meeting and tell us about that. When would that have been, approximately?

A Sir, that was sometime -- I would have said in April, March, but I'm thinking more April 1986 time frame.

Q Where did this meeting take place?

A

Q

A

Q

A

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Q [redacted]

A [redacted]

Q [redacted]

A [redacted]

Q [redacted]

A Sir, Colonel North, Ambassador Tambs was there --

Q Was the [redacted] there?

A Yes, sir. [redacted] was there. I believe the [redacted] who at that time was an individual name of [redacted]

Q Spell that last name.

A [redacted]

Q Was Secretary Abrams there?

A Secretary Abrams was there.

Q Mr. Burghardt?

A Mr. Burghardt.

Q And would [redacted] have been there.

A Sir, I'm almost sure that was the meeting I was alluding to, where he was.

Q But you're not as sure about him as about the

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others?

A No, sir. There was one other individual. If I hear the name, I'll remember it.

MR. KREUZER: [redacted]?

THE WITNESS: I believe that's it, yes, sir. To be honest with you, I was just meeting a whole lot of people, and it was hard to keep straight, particularly when my function there, as in many other meetings, was to be an interpreter.

EXAMINATION

BY MR. KREUZER:

Q Are you sure [redacted] was there?

A I believe he was. The name rings a bell.

Q And you believe Galvin was there?

A Correct.

Q All the other people, you're sure about?

A I'm pretty sure about.

EXAMINATION

BY MR. SAXON:

Q You were there then to be translator?

A Yes, sir.

Q And other than translating duties, you normally

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would probably not have been at such meetings?

A Oh, absolutely not. No, sir.

Q What do you recall as having been the subject matter of the meeting?

A Well, that was the funny thing, as I mentioned yesterday. The way these meetings were conducted, the first part was all the social amenities. That takes a lot.

[redacted]

Q And particularly including this air strip?

A Yes, sir. Now this was just, you know, little comments made off and on. Then when they really started talking business, they started talking about what had been done up until this point.

Q In terms of resupply of the southern front?

A In terms of the general assistance towards the anti-Sandinista movement. At this time, one of the individuals -- I don't remember, you know. I'm thinking

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Mr. Burghardt and [redacted], simply because those were the two I had never met before.

Q I believe you said yesterday, a tall, red-haired gentleman.

A Yes, a tall, red-haired gentleman is about what I remembered, interrupted the meeting, saying, hey, you know, he had no doubt as to my patriotism, fidelity and valor, but my clearance he didn't think was high enough to listen to the rest of it and I should be excused from the meeting.

Q What clearance did you at the time hold?

A Top secret, sir.

Q Did anyone at the meeting know you had a top secret clearance?

A Everybody in the meeting knew I had a top secret, sir.

Q But, for whatever reason, this gentleman thought that might not be high enough?

A Apparently so, sir.

Q So what happened after he made that statement?

A I went to drink coffee with the secretary, sir.

Q And that would not be Secretary Abrams?

A No, sir. [redacted]

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[redacted]

Q So, suffice it to say you left the room?

A Yes, sir, I left the room at this point.

Q And did the meeting continue for some period?

A Yes, sir. I would say 45-50 minutes.

EXAMINATION

BY MR. KREUZER:

Q This person who asked you to leave, you say he was the tall, red-headed person?

A I say red. I'm not talking carrot top, kind of reddish.

Q You can't identify who he was?

A I can't recall. He was the one who raised the issue. There was a lot of mumbling about it, basically mumbling from everybody involved, and Ambassador Tambs was the one who said, "Well, okay, Paco, just so we can continue, why don't you step out."

EXAMINATION

BY MR. SAXON:

Q Paco is your nickname?

A Yes, sir, that's my nickname.

Q Now, you were present, I think, with some of these

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individuals riding in the car to the meeting and other conversations?

A Correct, sir.

Q Before and after the meeting?

A Correct, sir.

Q In the course of that entire period when you were in the meeting and the conversations before that, did you hear bits and pieces of discussions that would allow you to draw inferences about the subject matter?

A Yes, sir. That is part of what I alluded to when I said little bits of information compiled led me to believe that the purpose of that meeting was what I had just mentioned.

Q And you actually heard people talk about the contras?

A Yes, sir.

Q Is there anything else we should know about that particular meeting?

A Not that I can remember, sir.

Q [redacted]

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A No, I can't answer that one way or another, sir, definitely yes or no. I just don't know.

Q [redacted]

A [redacted]

EXAMINATION

BY MR. KREUZER:

Q [redacted]

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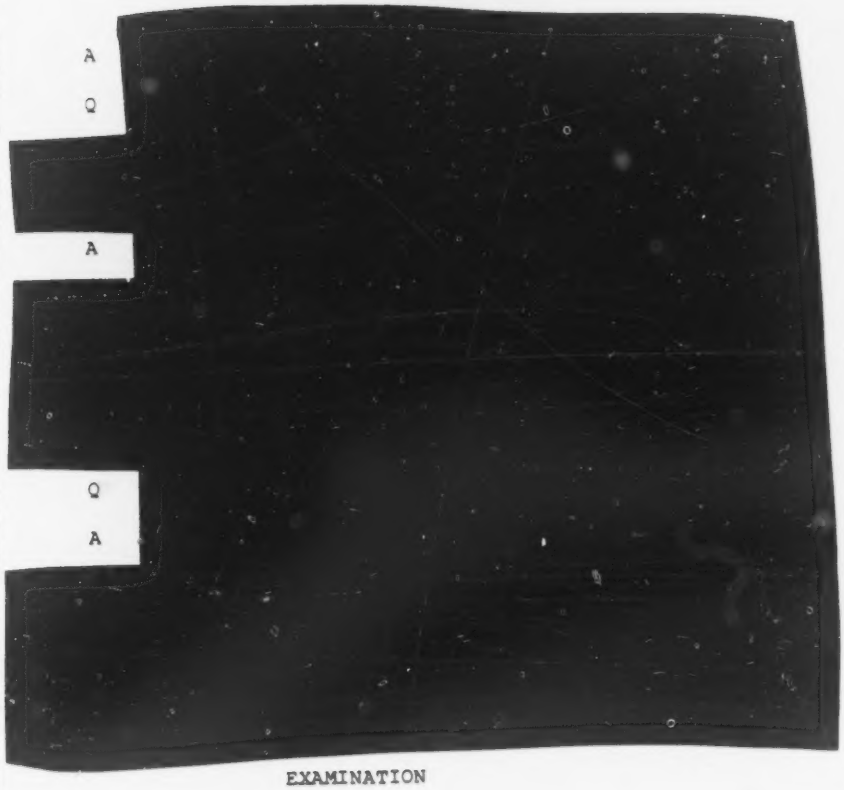

EXAMINATION

BY MR. SAXON:

Q Major Alvarez, let me ask you about a gentleman named Tom Posey -- P-o-s-e-y -- and an organization with which he is affiliated called Civilian Materiel Assistance or CMA.

Did you ever have occasion to see Mr. Posey or

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know that he came to Costa Rica?

A Yes, sir. I knew that he came through.

Q You personally didn't met him?

A No, sir. He was traveling with a Colonel Winberry -- now Wing with a "g" in it or without, I don't know. W-i-n, I believe, based on pronunciation, Winberry.

They came through --

Q This would be active duty or retired colonel?

A Retired, sir. And I got the impression that Posey was retired military, but I may be wrong. They had talked with Sergeant Sanchez, and I believe they met with Colonel Taylor. Colonel Taylor indicated to me that something just didn't seem right, so he said, hold off. He sent some messages out, I believe, you know, and whether or not they went to State, Defense Department, I don't know just where, came back saying, hey, we will not deal -- out of this office, we will not deal with these guys.

Q What was Mr. Posey and Colonel Winberry -- what were the proposing? What was their purpose in being there?

A They were offering military assistance to the Costa Rican Government for the outfitting and the equipping of the Costa Rican Civil Guard, so as to be able to use them

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along the border better.

Q What kind of equipment? What was your understanding in that regard?

A Small arms, small arm ammunition and the possibility was even mentioned of a couple of planes to be used for border reconnaisaance purposes.

Q As far as you know, did they ever make contact with any individuals in the Costa Rican government?

A Yes, sir. They made contact with the Costa Rican Vice Minister of Public Security.

Q What is that gentleman's name?

A His first name was Johnny and his last name was Campos -- C-a-m-p-o-s.

Q And how do you know this?

A Johnny Campos told me.

Q And what did Mr. Campos say they proposed to you?

A Just they basically had -- I can't say an actual laundry list, but he related a whole long list of items of things that they could get. Most of it, Campos at least was led to believe was as a donation. It would not have cost Costa Rica anything. Primarily, small arms, as I said, small arm ammunition, and there was definite mention of a

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couple of planes that could be used for spotter reconnaissance purposes.

Q Did Mr. Campos indicate whether they gave him anything as a gift or token?

A Yes, sir. They gave him a Llama 9 millimeter matched grade automatic pistol, which was in its own wooden presentation box and everything. He showed that to me.

e4 Q Did they make any statement as to whether there could be more of these pistols, if he was interested?

A Well, I don't know if they could have offered too many of the matched grade, but, yes, there would have been more in the way of 9 millimeter and other small arms.

Q From either your discussions with Colonel Taylor or with Mr. Campos about Tom Posey and CMA, was there any indication that any arms were either intended or could be made available for the contras?

A No, sir, not that I know of.

MR. KREUZER: You said earlier that Mr. Campos had told you about Tom Posey and Colonel Winberry's meeting with him and that they said that -- did they say at that time that equipment would be made available to the Costa Rican military without charge?

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THE WITNESS: Yes, sir. The impression that Mr. Campos got was that this equipment would come as a donation. He told me that what Mr. Posey and Colonel Winberry had said was that there was this large group in the United States -- Mr. Campos, in fact, mentioned the name of a retired General Singlaub, saying that this was one of the names, because he asked me if I knew the name, because it meant nothing to Campos -- who were very concerned about the spread of communism in Central America and had raised all of this private money, so as to be able to donate equipment to those countries who were involved in the fight to stop the spread of communism.

BY MR. SAXON:

Q Did he mention the World Anticommunism League?

A Yes, sir, he did.

Q Did he mention Barbara Studley's name?

A No, sir.

Q Or the company of GeoMiliTech?

A No, sir, he did not.

EXAMINATION

BY MR. KREUZER:

Q Did he then say that weapons and perhaps some

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reconnaissance aircraft were going to be made available from these people?

A He was led to believe at that meeting that he was going to get something.

Q Did he indicate or did you have any knowledge about the amount or the value of the donation?

A No, sir, I could not put a price on it. I didn't have that information. No, sir.

Q Did he tell you, specifically, what equipment and how much would be available?

A In planes, he mentioned the possibility of two Cessna type. Now whether or not they would be two or six or what, I don't know. He was talking about sufficient M-16 rifles, so as to be able to outfit the Guard.

Q How many would that be?

A That would have been 4500 to 5000. He mentioned, but without quantities, automatic weapons, and he mentioned it generically. He didn't say 50 calibers or M-60s. He just said machine guns, basically. Grenades, some type of armored vehicle, whether recoilless rifle or what, I don't know, because, again, they were just using the generic term.

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EXAMINATION

BY MR. SAXON:

Q Did anyone ever ask Mr. Posey where he was going to get these weapons, or did Mr. Posey volunteer where he was going to get this quantity of weapons?

A As I said, sir, I felt the indication Campos had got was that this organization as such that Mr. Posey and Colonel Winberry made reference to was raising the money and that organization would purchase -- all of these weapons are readily available on the market, if you get an export license. And, you know, that was what Mr. Campos basically assumed.

EXAMINATION

BY MR. KREUZER:

Q What was the name of that organization that they referred to?

A Which one, sir? CMA?

Q Associated with General Singlaub?

A No, sir. They mentioned General Singlaub's name; they mentioned the Anticommunist League, but I don't know that the two were mentioned together rather than just Mr. Campos asking me if these names meant anything to me.

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So that is the only reason that I remember his mentioning those.

EXAMINATION

BY MR. SAXON:

Q Did you ever see General Singlaub come through Costa Rica?

A No, sir, I did not.

Q Do you know, personally, an American named John Hall, who is living in Costa Rica?

A I do not personally know Mr. Hall, no, sir.

Q Have you ever heard of him?

A Yes, sir, quite a bit.

Q And what have you heard?

A The story that has been out in the Costa Rican newspapers and in the media and on everybody's mouth from the time I arrived in the country, basically was that Mr. Hall, who was quite a wealthy cattle owner in the north central part of Costa Rica, had a training center there for contra forces, provided a facility for R&R of contra forces, and that the private landing strips that he had on his property were being used in an resupply effort of the contras.

Q He had a ranch, I believe?

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A Yes, sir. It's a ranch.

Q Did you ever go to his ranch?

A No, sir, I did not.

Q Are you aware of anyone from the Embassy who ever went to his ranch?

A No, sir, I cannot say that for a fact.

Q Did you ever discuss John Hall with [redacted]

A I did not; no, sir.

Q When you completed your tour of duty in Costa Rica and were preparing to leave, I believe you told us yesterday, you had sort of a goodbye session with Ambassador Tambs and also present was the Deputy Chief of Mission, Mr. Tull; is that correct?

A That's correct, sir.

Q What, if anything, did they say to you, either Ambassador Tambs or Mr. Tull, in terms of your good service?

A Both were, I know, quite thankful and very effusive in their thanks, as they put it, not just for what the office had done, but for all of the other things that I personally had done to help the cause, whatever that was, and for helping out [redacted]

Q Did you understand what they meant by that?

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A I thought he was thanking me for helping them with the planes and, you know, matters like that.

Q And this was Ambassador Tambs speaking?

A Ambassador Tambs and Mr. Tull both.

Mr. Tull, basically did what he was best to do, and that was parroting Ambassador Tambs.

Q Major Alvarez, is there anything we have not thought to ask you, which you think either committee should know?

A I can't think of anything.

MR. SAXON: Let me say a couple of things for the record.

Number one, Major Alvarez has appeared here voluntarily. He has spent a fair amount of time and inconvenienced himself and changed his schedule to do this for us, and on behalf of the Senate Committee, and if I can speak for the House, we thank you very much for doing that.

Let me say, in the course of this investigation, we have had in excess now of 50 interviews at the Pentagon and with Pentagon officials, and I think Major Alvarez has probably been as forthcoming and as helpful as anyone we have spoken to, and I want to thank you for that, sir.

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MR. KREUZER: Thank you very much, sir.

THE WITNESS: Yes, sir.

(Whereupon, at 10:20 a.m., the taking of the deposition was concluded.)

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[redacted] 0072 [redacted]

TESTIMONY OF CHARLES E. ALLEN

Tuesday, April 21, 1987

United States Senate

Committee on Secret Military

Assistance to Iran and the

Nicaraguan Opposition

Washington, D. C.

Deposition of CHARLES E. ALLEN, called as a witness by counsel for the Select Committee, at the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D. C., commencing at 10:08 a.m., the [redacted] having been duly sworn by MICHAL ANN SCHAFER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direction.

Partially Declassified/Released on 12-17-87
under provisions of E.O. 12356
by N. Menan, National Security Council

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APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

ARTHUR LIMAN, ESQ.

CHARLES KERR, ESQ.

TIMOTHY WOODCOCK, ESQ.

On behalf of the House Select Committee to Investigate Covert Arms Transactions with Iran:

GEORGE W. VAN CLEVE, ESQ.

On behalf of the Central Intelligence Agency:

KATHLEEN A. MC GINN, ESQ.

RHONDA M. HUGHES, ESQ.

Office of Congressional Affairs

Central Intelligence Agency

Washington, D. C. 20505

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PROCEEDINGS

Whereupon,

CHARLES E. ALLEN,

was called as a witness by counsel for the Senate Select Committee, and, having been duly sworn by the Notary Public, was examined and testified as follows:

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. KERR:

Q Mr. Allen, would you state your full name for the record?

A Charles Eugene Allen.

Q Mr. Allen, I'd like to start by having you trace your educational background.

A I was educated at the University of North Carolina-Chapel Hill, with a bachelor's degree in political science. I attended the Air War College, 1971-72. I also did graduate studies at Auburn University, 1971-72.

Q Do you have any advanced degrees beyond that?

A No, not awarded.

Q And you received your bachelor's degree when, Mr. Allen?

A 1957.

Q And you would have joined the Agency immediately thereafter?

A 1958.

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Q If you would, could you trace through for me your career with the CIA, kind of going in chronological order up to the present?

A I was originally assigned to biographic intelligence, 1958 to 1962. I was assigned for a year doing systems analysis work. I later went on, from 1966 to 1971, working in [redacted] producing current intelligence assessments principally on Eastern Europe and Sub-Sahara Africa; 1971 to 1972, I attended the Air War College; 1973 I worked on the President's daily brief, which is a very restricted publication for the President's eyes only.

In 1973 and '74 I became Production Manager for current military production [redacted] In late 1974 I spent a tour overseas with my family, returning in 1977. I headed a staff that was engaged in the worldwide dissemination of finished intelligence to foreign liaison and to support U.S. missions and U.S. military commands worldwide.

I headed, in 1979, up until August '80, I headed an office for presentations and publications, which did all the publishing and editorial work for the Agency. In August 1980 I was assigned as a Special Assistant to Frank Carlucci to work on a special compartmented program. I worked on that first for Mr. Carlucci and then for Admiral Inman directly

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until November 1982, when I was assigned to the Office of the Secretary of Defense, where I worked on strategic mobilization issues.

I returned from the Office of the Secretary of Defense in January 1985 at the request of Mr. Casey. I was appointed the National Intelligence Officer for both counterterrorism and counternarcotics. The latter position I held from January 1985 to February 1986. I remain today as the National Intelligence Officer for Counterterrorism.

I also served from February 1986 until March 1986 as Chief -- 1987, as Chief of Intelligence of CIA's [redacted]

Q Thank you. With regard to the 1980-82 period, when you were Special Assistant first to Carlucci and then to Inman, during that period of time, particularly focusing on the fall of 1980, did you have any involvement with the Iran hostage situation?

A None.

Q I would be correct, then, that you had no knowledge of and no involvement in contacts that were made with Bud McFarlane and other members of then-candidate Reagan's campaign organization regarding the Iran hostage situation?

A None, whatsoever.

Q With regard to your contact with Mr. McFarlane,

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can you tell me when you first came to know or met Mr. McFarlane?

A He probably attended meetings in the 1981 to '85 time frame. That occurred very rarely on the special program that I worked both with the intelligence community and with the Department of Defense. He sat in on briefings that I've given and in the area of counterterrorism I, of course, briefed him during the TWA 847, which occurred in June 1985.

Q In terms of making his acquaintance, though, that would have occurred after the Reagan Administration took power in January 1981; is that correct?

A That is correct.

Q With regard to Colonel North, you would have met him for the first time approximately when?

A August 1981.

Q And Colonel North was employed in what capacity at that time?

A He had been sent over by the Department of Defense along with two other military officers to work on getting Congressional approval of the sale of AWACS aircraft to Saudi Arabia. Because his performance was so extraordinary, it was suggested that he become a member of the National Security Council staff. I was working with Lieutenant General -- I'm sorry, he was a Major General at the time -- Major General Schweitzer, and Major General Schweitzer introduced Colonel

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North to me and to other people in August 1981.

Q That would be Robert L. Schweitzer?

A Yes. He later became a three-star before he retired.

Q And you would have met Colonel North through General Schweitzer; is that correct?

A Well, he was introduced to me because Colonel North essentially replaced and took some of the roles of Major Christopher Shoemaker, who had served in the Carter Administration as well as during the first year and a half of the Reagan Administration.

Q At that point in time, when you first came to know Colonel North, do you recollect who his immediate superior was?

A Within the National Security Council staff? He reported at that time to General Schweitzer.

Q In terms of your relationship with General Schweitzer, at that point were you actually working with General Schweitzer at that time?

A I was the senior official of the intelligence community interacting with General Schweitzer on a regular basis. General Schweitzer was chairman of a working group of an interagency nature that was engaged in some national security planning.

Q So that I understand, was your function

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essentially a liaison function on a broad spectrum?

A No. I was representing the Director of Central Intelligence and the Intelligence Community on a specific activity reporting directly to the Deputy Director of Central Intelligence but working on behalf of the Director of Central Intelligence.

Q In connection with that work did you begin to work with Colonel North?

A Yes, sir, very closely.

Q I'll come back to that in a moment. With regard to the AWACS matter, did you have involvement in the AWACS effort?

A None whatsoever.

Q And you did or did not come to know General Secord during that period of time?

A I did not know General Secord during that period.

Q When would you have met General Secord for the first time?

A The first time I met General Secord directly was, to the best of my knowledge, was the 29th of January, 1986, when he attended a meeting with Colonel North, [redacted] Mr. Koch -- that's K-o-c-h -- and myself in Room 370 of the Executive Office Building.

Q We'll come back to that, but if I understand you, you would not have had contact or a relationship with General

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Secord prior to that time; is that correct?

A No, sir. I had heard of General Secord in the fall of 1985, but I was not aware as to who he was or any of his background until later.

Q You had mentioned the AWACS matter. You did not become familiar with General Secord's role in the AWACS matter; is that correct?

A Not at all.

Q Returning again to Colonel North, the matter that you were working on with Colonel North in 1985, can you describe that for us?

A That's a compartmented program. We were working on a sensitive national security program which I'm not authorized to discuss, but I can assure you it had nothing to do with Saudi Arabia, Iran, or Central America.

Q In terms of what it had to do with, you are not prepared to tell me today; is that right?

A No, sir.

Q Can you describe the nature of your contact with North during that period? Would you be dealing with him on a daily basis?

A Frequently on a daily basis because it required a great deal of planning, coordination, preparation of memoranda, coordination with senior officials of the intelligence community, discussions with Mr. Carlucci and

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later with Admiral Inman and occasionally discussions with Mr. Casey or briefings of Mr. Casey.

Q With regard to the CIA personnel that worked on that project with you, Director Casey would have been kept apprised. You would have worked on it. Who else would have worked on it at the CIA?

A Well, it involved a number. It involved a number of directorates and I was made head of a working office.

Q Were there specific individuals that involved in that project?

A I think I had one or two that conducted liaison, but it was not what one would call [redacted] intelligence operations. It was not that type of activity.

Q [redacted] your primary or were your primary [redacted] with [redacted]

[redacted] Director of [redacted] to [redacted] it was [redacted]

Q With regard to the relationship with Colonel North in terms of your involvement with him, what period of time was spanned in terms of this particular project with North?

A From August 1981 until 16 January 1985.

Q And during that period of time you were working on the same project or a succession of projects?

A I was working on one from the intelligence

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community perspective, and then I was appointed, at the request of Mr. McMahon and with the approval of Mr. Casey, I joined the Office of the Secretary of Defense and worked -- I worked in a more senior capacity.

Q You joined the Office of the Secretary of Defense when? You mentioned it before, but I missed it.

A November 1982.

Q And in your position with the Office of the Secretary of Defense you continued to work with Colonel North; is that right?

A Yes, sir.

Q And again that would be on the same subject matter that you'd been working on before?

A Yes.

Q And as to that period of time you do not feel at liberty to describe what that work was; is that right?

A I'm not authorized and will not provide details on the substance of the program, except to state that it had nothing to do with Iran, Central America, Saudi Arabia, or any type of foreign intelligence operations of any sort.

Q During the period up through January of 1985 the principal responsible for that project would have been whom? Would it have been the National Security Advisor or someone else?

A I'm not authorized to say.

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Q From whom would you require authorization, Mr. Allen?

A I would have to consult with senior officials in the Office of the Secretary of Defense, which I can do.

Q And again, so I understand, your contact with North would have been on an essentially daily basis up through January of 1985?

A Essentially daily. We met frequently. We talked on the secure telephone frequently. We compared memoranda. I was Deputy Director of a program in the Office of the Secretary of Defense and there were other senior officials who were in contact on this program with Colonel North.

Q Did Mr. Duane Clarridge have any responsibilities vis-a-vis this matter?

A To the best of my knowledge, none whatsoever. I'm not even certain he was authorized access to it.

Q With regard to the briefings of Director Casey, you indicated that he would be briefed periodically on the matters that you and Colonel North were working on; is that correct?

A That's correct.

Q Would it have been your custom to have Colonel North present when those briefings of Director Casey took place?

A I don't think Colonel North was ever present.

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Q So your briefings of Casey would have been briefings that you yourself conducted; is that correct?

A Yes, sir. And also I worked for a program manager at Defense who on one or more occasions briefed Mr. Casey on the progress of the program and I sat in on those briefings.

Q Can you identify this program manager at Defense?

A I'm not authorized to do so.

Q Now from the interview that we had with you, you characterized Colonel North's role in this matter as not being operational. Does that continue to be your characterization?

A Absolutely. He was the NSC staffer responsible for this specific account. He carried out, I think with remarkable ability, the coordination role. He first reported to General Schweitzer and then later to Thomas Reid, and then later to William Clark on the program. He did an extraordinary job of coordination of an extremely difficult interagency activity. He excelled in every respect.

Q General Schweitzer left the NSC approximately at what point in time?

A General Schweitzer had a tendency to talk about how the Soviets were going to invade Poland and he had a favorite speech that he gave during his meetings; unfortunately, he gave it to the press, he gave it to a group of Army cadres with the press present, and he left the NSC

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about -- I was in Los Angeles and I remember seeing the headline when he was dismissed from the NSC. Can I take that for the record and get that date back to you?

Q If you can give me an approximate year, that would help.

A 1982, I suspect.

Q The main thing I wanted to focus on was what contact you had with General Schweitzer after he left. Did you have any contact with him?

A No, sir. I saw him in the EOB in the halls a couple of times and said hello and we chatted a little bit, just personal pleasantries -- no substantive conversations.

Q Specifically do you recall having any contact with General Schweitzer in the period September 1986-forward?

A I [redacted] in the October '86 time frame where we simply exchanged pleasantries. He indicated he was doing some special consulting work for the NSC.

Q Do you recall discussing with him at that time, or any time subsequent to September 1986, his employment with a firm called Geomilitech Consultants Corporation?

A No, sir. I did not. General Schweitzer and I simply reminisced about the program that we had worked on jointly before he was asked to leave the NSC.

Q You have no recollection of discussing with General Schweitzer his efforts to obtain covert procurement

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contracts for Geomilitech [redacted]

A I did not discuss that with him.

Q Did you have knowledge that General Schweitzer was endeavoring to obtain such contracts for Geomilitech?

A No, sir, I did not.

Q With regard to the appointment that you received as NIO for Counterterrorism, can you describe for me how you acquired that job?

A In the October time frame of 1986 John McMahon --

Q 1980 --

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A 1984, I'm sorry -- called me on secure at the Pentagon and asked me to come see him. He offered me the position of National Intelligence Officer for both narcotics and counterterrorism, stating that Mr. Casey would welcome my return to the Agency. There was some negotiation over this because I had been asked and offered an even more senior position at the Pentagon, so there was some deliberations which did not really come to closure until the January time frame. So I finally came back in mid-January 1985 to assume the position.

Q With regard to that position, there had been one prior NIO for counterterrorism?

A That's correct, [redacted]

Q Did you have discussions with Mr. McMahon or Mr. Casey about changing, broadening the mandate of the counterterrorism NIO?

A Mr. McMahon and Mr. Casey indicated that they wanted a more activist National Intelligence Officer. As I recall, Mr. McMahon said that he expected me to shake the intelligence community up a bit, that terrorism was an extremely high priority of the Administration, and that more work needed to be done in that arena.

I proceeded to undertake a number of initiatives that I thought would satisfy Mr. Casey and Mr. McMahon and by the time Mr. McMahon had left the Agency I think he was

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satisfied we had a lot of activity under way, and Mr. Casey encouraged me to take a very active role within the community.

Q Let me focus in on the gestation period, if you will, October-November 1984 when you were considering taking the job. Did you at that point have discussions with McMahon or Casey in more specific terms on the new policy, new direction, new approach that you would take to the NIO position for counterterrorism?

A Not in any great detail. Mr. McMahon and Mr. Casey indicated I should come in and take a hard look at what needed to be done. Mr. Gates also supported it. He was chairman of the National Intelligence Council. So I did that immediately, but we did not have any detailed discussions on just what needed to be done. The idea was that we were in a more reactive mode than we should be; we needed to be in a more active way in counterterrorism.

I was familiar with National Security Decision Directive [redacted] because I had discussed it with Colonel North some time earlier. I also was aware of National Security Decision Directive [redacted] which was issued, I guess, in 1982, because I had worked closely with Major Chris Shoemaker, who was Colonel North's predecessor. So I was aware that there was dissatisfaction throughout the government on the United States counterterrorist policies.

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Q Let me come back to National Security Directive [redacted] You say you discussed that with North. When would you have discussed that with North?

A Probably -- I think it was issued in April of 1984, about that time frame, just as he was helping coordinate the final drafts of that.

Q Can you relate for me your best recollection of the nature or content of your discussions with North about National Security Directive [redacted]

A It was a very brief discussion. I was in his office discussing the other classified common project, and he indicated that he had been working on the draft trying to coordinate with a variety of agencies, and that he felt he had in this draft the proper direction to government agencies and departments so that a more activist approach to counterterrorism could be undertaken. He was working at it quite hard, as I recall.

Q What was the nature of the activism that he was trying to inculcate, if you will, at that time?

A Well, he wanted, for one thing, an intelligence fusion center which would bring together on a multidisciplinary nature [redacted] so that they could quickly compare intelligence and integrate the intelligence. That was one of his greatest desires, [redacted] all.

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Q Now you would have had that conversation in the spring of '84 or thereabouts with regard to that notion of fusion, if you will, of intelligence matters on terrorism. Was that something you considered and discussed with North at the time you were contemplating becoming NIO for counterterrorism?

A We had a discussion, I believe, in the December '84 time frame when I was still weighing whether to come back to CIA and join the Agency as the National Intelligence Officer. He went over that and his views on that in late 1984. It made a lot of sense to me, and we have subsequently implemented that type of integrated center at CIA.

Q When did the implementation take place at CIA?

A That occurred in February '86 with the formation of CIA's [redacted] with Mr. Clarridge as its director.

Q So in a sense you would see the gestation at least of some aspects of [redacted] going back North's concerns and interests in 1984; is that right?

A That's correct. I think he had a very inspired idea, which I think has proved correct.

Q In terms of your discussions with Colonel North about the NIO position for counterterrorism, did you have discussions with Colonel North about whether he thought it was a good idea or not a good idea that you take that

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position?

A He wanted me very much to stay in the Department of Defense. He opposed my returning to CIA very strongly.

Q Why was that?

A Because he felt that the country's national security, because he believed that the project on which I was a senior manager, the number two manager -- and I would have been elevated to the overall manager -- was more important by far than coming back to work on counterterrorism. I'm convinced that was a very sincere belief on his part and there was a very major struggle over whether I should come back or not. And I remember Mr. Casey joking that Defense had kidnapped me but that he had liberated me.

Q Do you know if North discussed with Director Casey the merits of your return to CIA?

A Very definitely more than once, and both Mr. McMahon and Mr. Casey said that Colonel North adamantly opposed my return.

Q Do you have any present recollection of when Colonel North would have had these conversations with Director Casey?

A I would believe that would be in the November-December time frame of 1984.

Q As of that period of time, November-December 1984, did you have any impression of the relationship between

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Colonel North and Director Casey, as to whether it was close, a working relationship? Can you describe that?

A Well, it seemed to me that it was certainly a developing relationship and one where Colonel North had a great deal of respect for Mr. Casey because he spoke highly of the Director.

Q As of that time, the fall of 1984 -- winter of 1984 -- did you have any understanding of the extent to which Colonel North was in contact with Casey? Were they meeting on a regular basis, to your knowledge?

A It was my understanding that they met occasionally, based on what Colonel North stated.

Q When you say "met occasionally", do you have any sense of how frequently they were meeting?

A I can't state that. They occasionally, I think, had breakfast on Saturday mornings together, but that was only what Colonel North told me.

Q In terms of the knowledge that you had in the latter part of 1984 about occasional breakfasts on Saturday between Director Casey and Colonel North, it was your understanding from Colonel North that such breakfasts continued through '85 and '86; isn't that correct?

A I don't know whether they had breakfasts. They continued to have regular contact.

Q In the early part of 1985 when you took over your

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position as NIO , let me focus on the first quarter of 1985, to what extent would you have had contact with Director Casey during the outset of your new position?

A Mr. Gates, as Chairman of the National Intelligence Council, encouraged the National Intelligence Officers to meet on a regular basis with the Director to discuss substantive issues of concern to each NIO, to brief the Director on intelligence estimates that may be under way or important intelligence issues. One of my activities was to chair the Interagency Intelligence Committee on Terrorism, a committee I still chair, to explain how each agency was approaching counterterrorism issues, so I met periodically and regularly with Mr. Casey one-on-one.

Q With regard to your work, to what extent would you have been in contact with [redacted] Graham Fuller, who was NIO for the [redacted] East and South Asia at [redacted]

A We had occasional [redacted] conversations. He was a Middle Eastern specialist. Fifty percent of all international terrorist incidents occur in the Middle East or originate out of the Middle East. It was important that he and I maintain regular contact.

Q And you did in fact do so?

A We did, yes.

Q In January-February 1985 were you aware that Director Casey was making an approach to [redacted] to seek

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money from [redacted]

A No, sir.

Q And you were not aware at that time of an approach by Director Casey to [redacted] for assistance to the Nicaraguan contras; is that correct?

A I was not aware.

Q Were you aware of any approach by Casey [redacted] for [redacted] support [redacted] for [redacted] Nicaragua?

A I was not aware of that.

Q So, to understand you, you would not be aware that on February 25, for example, Director Casey was meeting with Admiral Poindexter to discuss those matters and funding for the contras more generally?

A I was not aware of that.

Q Were you aware at that time, February of 1985, of a [redacted] known as the Manimbo that was bringing arms, thought to be bringing arms and ammunition from Korea to Nicaragua?

A I don't think so. The name is familiar and there was some publicity, I think, about this.

Q There's been fairly [redacted] you have any contemporaneous knowledge?

A At the time I had no knowledge.

[redacted]

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[redacted]

A No, I was not aware of that.

Q You did or did not have knowledge of a trip that General Singlaub would have made to [redacted] in January of 1985?

A No, I'm not aware of it.

Q Did you know General Singlaub at that ti[redacted]

A I don't know General Singlaub at all.

Q In April of 1985 Mr. Fuller prepared a memorandum for the Director with some thoughts on Iran. Do you recall seeing that memorandum?

A I don't recall seeing it. I recall discussion[redacted] our morning staff meetings of the National Intelli[redacted] Council where Mr. Fuller talked about Soviet initiatives [redacted]ly directed against [redacted] the need for the United States to find proper countermeasures to what he thought was increasing Soviet aggressiveness. It is conceivable that I saw the memorandum at the time. I have [redacted] it.

But I recall discussions and I recall that Mr. Fuller was working on an estimate, I believe, in the May '85 time frame on Iran, and that was discu[redacted] briefly at staff meetings.

Q Let me show you the memorandum. It's a memorandum dated April 4, 1985 from Graham Fuller to the Director which

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I'd like to have marked as Exhibit 1.

(The document referred to was marked Allen Exhibit Number 1 for identification.)

Q Mr. Allen, if you'd take a moment to glance through the memo -- take as much time as you like. What I'd like you to do is tell me first if you've seen this memorandum and, secondly, your best recollection of when you would have seen it.

(Pause.)

It has an NIC number on it, NIC 01799-85. It's carried in our records -- that is, the Senate Committee records -- as Document Number C-2519 to 2520.

A I think I was aware of the fact that Mr. Fuller was concerned about this issue at the time it was discussed in the NIC staff meetings. I saw the estimate that was produced in May of 1985. I cannot recall reading this memorandum until, I believe, after the 25th of November 1986. It is conceivable that he sent me a copy. This is what I and other NIOs do frequently, where we will become seized with an issue, discuss it with specialists in the community, and put together our own think piece, as Mr. Gates has explained, and send it to the Director for provoking thought.

We do this without necessarily informing the Chairman first. We give him an information copy. We would

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send copies to key people in the Department of State, Defense, and the National Security Council staff. I did it frequently.

Q In terms of what would have prompted Mr. Fuller to prepare this specific memorandum, you do not know what would have prompted him to do it?

A I don't want to speculate on that, except in the context of what he stated at the staff meetings, where he saw the disintegration of the Khomeini regime, a very ill Ayatollah, factional infighting, and Soviet initiatives both through military exercises to the north of Iran and through, as I recall, subrosa subversion. He felt it was a matter of real concern at the time.

Q In terms of prompting a request or the language that you all seem to prefer, tasking by either the National Security Council or staff, or Mr. Casey, do you have any knowledge of any such prompting or tasking to Mr. Fuller in April 1985?

A I understand that he was tasked by the NSC at the time.

Q And you have that understanding from what?

A Mr. Fuller, I believe, indicated he had a tasking from the NSC to produce an estimate. In the summer of 1986 Mr. Ledeen indicated that he had encouraged Mr. McFarlane to ask for an estimate.

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Q And Mr. Ledeen indicated that to you in the summer of 1986; is that correct?

A That's correct.

Q Let's go back now to contemporaneous knowledge, though. In the spring of 1985 did you yourself have any knowledge of a request for this kind of work product going from the NSC to Mr. Fuller?

A As far as the estimate was concerned, it is my understanding that it came from the NSC, and I can't recall who did the tasking.

Q Now as an NIO your staffing resources, your own as counterterrorism NIO or what -- who did you have as a staff?

A In 1985?

Q Yes, sir.

A I had [redacted] I also had [redacted] I had chief of staff [redacted]

Q In terms of [redacted] -- is that it?

A That's correct.

Q [redacted] home, if you will, where was he from at that point?

A [redacted] came from the President's Foreign Intelligence Advisory Board, where he had worked for a period of time. He had also worked with Air Force intelligence at one time. He worked on the Soviet Union.

Q [redacted] background?

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A [redacted] background is out of the Defense Intelligence Agency as a current intelligence officer. He worked then at the Intelligence Community Staff and began around 1982 focusing on counterterrorism, and he joined me when I came aboard, shortly after I came aboard as the National Intelligence Officer.

Q And [redacted]

A She came out of the Intelligence Community Staff, too.

[redacted]

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[redacted] is the office director. I utilize his analysts on a frequent basis.

Q Then there is a [redacted] as I recollect.

A That's correct, sir, and that was [redacted] and [redacted] and I, of course, would task that office for support.

Q As between [redacted] outfit and [redacted] would you have worked with one of these groups as opposed to the other more often than not?

A Well, at the time, in 1985 [redacted] had a counterterrorist staff within [redacted] That counterterrorist staff was lifted out of [redacted] and [redacted] with the CIA's [redacted] is [redacted] At that time [redacted] worked hand in hand with [redacted] office [redacted]

Q [redacted] in February of '86 [redacted] with your organization would have been from [redacted] is that right?

A [redacted] counterterrorism came to [redacted]

Q And tracing that back in time, in 1985, insofar as you were looking for Intelligence Directorate assistance basically you would have worked with the Counterterrorism

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group of analysts that were in [redacted].

A That is correct. And I did tasking of those analysts, along with [redacted] in particular.

Q Moving into May of 1985, Mr. Fuller did another memorandum for the Director. I am certain that you are familiar with that memorandum as of today. Do you recollect when you would have become familiar with that memorandum?

A Can you identify the document?

Q Let me just show it to you. Let me show you Mr. Fuller's memo of May 17, 1985 to the Director, subject matter: Toward a Policy on Iran. My copy of this document has attached to it Talking Points for the Director dated May 22, 1985, which I will show you as well. In terms of identifying the document, there's all kinds of numbers on it. The Senate Committee's numbering system is document number C-2243 through 3348. Executive Registry numbering system is Executive Registry 235 through 240. And God knows what the other numbers on those mean.

After Mr. Allen has a chance to look at it, would you mark it as Exhibit 2?

(Pause.)

(The document referred to was marked Allen Exhibit Number 2 for identification.)

A I recall reading this in the spring of 1985. Mr.

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Fuller provided me a copy.

Q To help us focus in on that, it would be your recollection that you would have seen this document at or about the time of its date -- mid-May 1985?

A I feel confident I did.

Q Do you recall being consulted by Mr. Fuller about this matter prior to it being committed to writing by Mr. Fuller?

A [redacted] with me.

Q There's a reference on page 3 of the memorandum to a suggestion by Mr. Fuller that one avenue for improving relations with Iran or establishing relations with Iran would be to open up arms sales by American allies to Iran. Do you see that?

A Yes, I recall that.

Q Do you recollect discussing first with Mr. Fuller that suggestion in May of 1985, you yourself?

A No, I did not discuss it with him.

Q Do you have a recollection of discussing that suggestion with Mr. Casey in May of 1985?

A I have no recollection of discussing this memorandum with Mr. Casey.

Q Do you recall your reaction to Mr. Fuller's suggestion of opening up arms sales to Iran?

A I don't recall my reaction to that aspect. The

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idea of trying to end the geostrategic vacuum in Southwest Asia I endorsed, that we ought to do some probing into Southwest Asia, and I firmly believed that was an appropriate issue to suggest, that all the options be explored.

Q Frankly I suspect that that notion in a general sense ranks alongside motherhood and apple pie. When we get down to the nitty-gritty of having allies sell arms to Iran, do you recollect your reaction to that notion?

A I don't recall. I think I mentally dismissed it as not a very likely proposition.

Q Specifically focusing in on what allies Mr. Fuller might have had in mind, if I am remembering that portion I think he does make mention of Israel as an ally that he might have been contemplating. Whether he does or doesn't, do you recall understanding in May of 1985 that Mr. Fuller had in mind the sale of arms by Israel to Iran?

A I never had such a conversation with Mr. Fuller, and I have no idea what he was thinking. I just can't speculate on that. I just don't know.

Q Did you have occasion to discuss with [redacted] in May of 1985 his reaction to Mr. Fuller's May 17 memorandum, specifically his suggestion that the United States contemplate its allies selling arms to Iran?

A I did not have a conversation with [redacted]

Q Mr. Allen, in the late spring-summer 1985, the

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period May, June, July, 1985, what responsibilities, if any, did you as NIO for counterterrorism have with regard to tracking efforts to release the American hostages that were held in Lebanon?

A I did not have a direct and central role at the time. The White House, Mr. McFarlane in the White House had directed that a hostage location task force be established, I believe around the January-February time frame of 1985.

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[redacted]

My role was not direct. I had global responsibilities in counterterrorism and I did not have an operational responsibility. But analytically I continued to look at the issue.

Q Let me sort of back up and go step by step. First of all, how do we spell [redacted] name?

A [redacted]

Q And his title [redacted]

A He was chief of what was then called the -- it's changed its name. It's now called [redacted]

Q [redacted]

A [redacted]

Q And, if I am understanding you correctly, there was no formal working relationship between you and your group and him; is that correct?

A That's correct. But we interacted and I had

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weekly meetings with [redacted] or tried to have weekly meetings or biweekly meetings to exchange views. We had a very mutually-supportive type relationship.

Q Now I didn't really understand your reference to McFarlane and the White House direction. Take me back.

A Prior to the establishment in late December 1985 under me an interagency hostage location task force [redacted] These individuals were not dedicated full time to locating and determining the condition of the hostages, but these were agency representatives to an interagency working group.

[redacted] I read the reports of those meetings. It included agencies like [redacted] DIA, DEA, State, as well as CIA.

Q You were not formally designated to be part of that working group?

A Not at all.

Q Did that group have a name?

A Called the hostage location task force.

Q Was Colonel North a member of that group?

A Colonel North attended many of the meetings but not all.

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Q You became aware, did you not, in mid-June of 1985 that Director Casey had heard from a friend or business acquaintance by the name of John Shaheen that a gentleman by the name of Cyrus Hashemi had made a proposal on how the hostages, U.S. hostages in Beirut might be exchanged or freed?

A I was not aware of that initiative in the summer of 1985. Mr. Casey later recounted that to me, I believe more than once. But not in 1985. I believe he recounted those incidents in 1986.

Q Let's go with your memory in terms of when you recall becoming aware. That you would place that in 1986?

A I believe it was in 1986. He mentioned his old colleague Mr. Shaheen, who I believe worked with him in the Office of Strategic Services, but it was more anecdotal than anything else.

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Q Again, let's go over what you're recollecting. What is the context that you recall Casey bringing this to your attention?

A It probably was in the context of [redacted] which occurred, I believe, in the summer of 1985 that Mr. Casey was talking about his old colleague Shaheen.

Q When and under what circumstances did Casey mention to you that his colleague, friend, business acquaintance, Shaheen had mentioned this?

A You're going to have to give me a moment to contemplate that, if you will, please.

Q Take your time.

(Pause.)

A I cannot recall precisely the date, but it seems to me it was around the time of the McFarlane trip to Tehran.

Q So that would be May of '86?

A In that time frame. He provided details on that as well as details on his understanding of [redacted] It was more or less in the context of that discussion, but I can't put a precise meeting and a precise date on it.

Q Give me as much specificity as you can on what it was that Director Casey told you about what Mr. Shaheen had told him.

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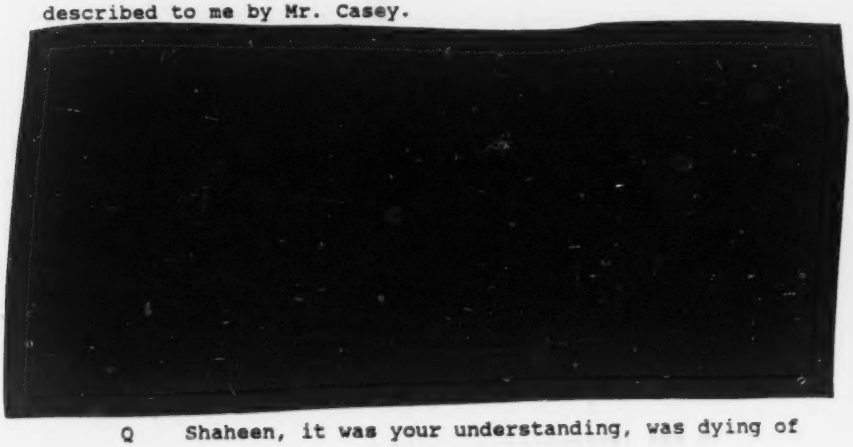
A Only that this was an old friend who had cancer, who was terminally ill, and that Shaheen had been in touch with Cyrus Hashemi and Hashemi, I guess, was under indictment for some violation of U.S. Code, and that there was a proposal, and I cannot recall the details of that proposal as described to me by Mr. Casey.



Q Shaheen, it was your understanding, was dying of cancer in June of 1985?

A In that time frame.

Q And you had this conversation with Mr. Casey in May of 1986, to your best recollection?

A I can't put a time frame, but I'd say maybe in the spring of 1986, about the time of the McFarlane trip to Iran.

Q Is it your recollection that Mr. Casey indicated that Mr. Shaheen had spoken with Mr. Casey directly or had some intermediary spoken with Mr. Casey?

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A It was my understanding that Mr. Shaheen had talked to Mr. Casey directly, but that's just my understanding.

Q Do you have a recollection of Mr. Roy Furmark's name being mentioned in connection with the Hashemi information that Mr. Shaheen has passed on?

A I don't recall that name in that time frame, no.

Q Do you have a recollection of reviewing this matter as it was mentioned in the Tower Commission report?

A May I see the Tower Commission report?

Q You can see it and let me read the passages.

A I thought you were going to read it; I'm sorry.

Q Quoting from page B-13 of the Tower Commission report, which says "On June 17, reference 1985, the Director of Central Intelligence heard from his long-time friend, John Shaheen, that a Dr. Cyrus Hashemi, under indictment for attempting to sell arms to Iran, claimed to have discussed with the Iranian Foreign Ministry an exchange of hostages for the release of the Da'wa prisoners in Kuwait, TOW missiles and a nolle prosequi for Hashemi." The reference is a Casey to the Chief, Near East for Operations, who was then [redacted] I think, June 17, 1985.

A I recall reading that in the CIA Inspector General's chronology. I also recall reading that in the Tower Commission report.

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Q With that reference before you as kind of a memory hook, if you will, do you have any further or additional recollection of knowledge that you would have had, and I now really want to focus on contemporaneous knowledge in June of 1985 that Shaheen had made such representations to Director Casey?

A I had no knowledge at the time of this activity.

Q Let's pursue it just a few more moments. It would be your testimony here today that you had no knowledge in June of 1985 not only about this matter but also in June of 1985 you had no knowledge of a joint business venture comprised of Mr. Hashemi, Mr. Adnan Khashoggi, Mr. Roy Furmark and Mr. Ghorbanifar to engage in sales of goods to Iran in exchange for oil from Iran; is that right?

A I have no contemporaneous knowledge in June of 1985 of that activity. As you recall, Mr. Furmark described something like that in my discussion with him on 16 October 1986.

Q Yes, sir, and eventually we will get to October of 1986. But in June of 1985 you had no knowledge of these activities?

A No, none at all.

Q Mr. Allen, let me pursue the thought a bit further. Let me suggest to you that following the contact that's referred to in the Tower Commission report there were

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additional contacts made to the Central Intelligence Agency to the effect that Mr. Hashemi and other folks with contacts in Iran had lines into [redacted] and Mr. Manucher Ghorbanifar in June and July of 1985 who were proposing an exchange of American hostages for various items of interest to the Iranians, including TOW missiles in June-July 1985.

Again, did you have any contemporaneous knowledge of those contacts with the Central Intelligence Agency?

A I had no contemporaneous knowledge.

Q Let me show you materials that have been provided, regrettably in an expurgated form, which I hope to remedy at some point with the Central Intelligence Agency, but let me show you first a cable dated July 9, 1985, which has all kinds of numbers all over it. The Senate's number is C-1477. The Central Intelligence Agency number is CIIN 1034, which I'd like to have marked as Exhibit 3.

(The document [redacted] was marked Allen Exhibit Number 3 for identification.)

Second, let me show you a document from Peter to Arnie, dated July 11, 1985, which has a Senate number on it somewhere which I can't find for the moment, but also has a CIIN number, 1033, on it, which will be Exhibit 4.

(The document referred to was marked Allen Exhibit Number 4

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for identification.)

Exhibit 5 has a Senate Select Committee number, C-1475. It has a CIIN number, 1032, and it is a cable dated July 12, 1985. Again, regrettably it's also been expurgated by the Central Intelligence Agency, which is a matter we will take up with them once again at a later time.

(The document referred to was marked Allen Exhibit Number 5 for identification.)

Let me show you another part of the set. It's a companion to one of the cables that you've already seen, but it has Senate number C-1477, CIIN number 1034, and is a cable of July 9, 1985.

(The document referred to was marked Allen Exhibit Number 6 for identification.)

A Exhibit 3 and 6 are duplications.

I'm ready to respond to questions.

Q With regard to these documents that you've just looked at, Mr. [redacted] any of these documents at any time?

[redacted]

Q With regard to matters [redacted] those documents, do they refresh your recollection of your contemporaneous knowledge that you had of these matters

[redacted]

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A I had no contemporaneous knowledge of these matters, of what was July 1985.

Q At any time did it come to your attention that the Central Intelligence Agency, through its Operations Directorate or any other Directorate, was engaged in the activities and contacts that are referenced in those documents?

A In those specific -- in that specific context, I had no knowledge about [redacted]. Only in a generic way was I aware of continuing initiatives by the Directorate of Operations to try to locate and determine the condition of the American hostages.

Q Have you at any point in time, up through and including today, had discussions with any Central Intelligence Agency employee with regard to the contacts or attempted contacts by Manucher Ghorbanifar in July of 1985 relating to the American hostages in Lebanon?

A Including the conversations up until today, yes, I certainly have. I had Mr. Ghorbanifar's 201 file for a period of time and reviewed it. I don't recall the specific cables here, although unquestionably they were in his file. He has about a three-volume file.

Q Four, as I recollect.

A It's hard to remember them all. I may have actually read these at some time. I don't recall it. I, of

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course, have discussed the fact with Mr. Cave that Mr. Shackley met with Mr. Ghorbanifar in the fall of 1984 when Mr. Ghorbanifar made some proposals relating to the American hostages. I, of course, discussed with Mr. Furmark in the October and November time frame discussions that he had had in 1985 with Mr. Ghorbanifar.

Q When did you have Mr. Ghorbanifar's 201 file?

A I believe I had it a couple of times. I had it, I guess, in the fall of '86. I became more focused on it.

Q The fall of '86?

A Yes.

Q Can you be a little more specific? When in the fall of '86?

MR. VAN CLEVE: Excuse me. Did you mean in 1986?

THE WITNESS: Yes. I was looking at it in the fall of 1986. I had the burn notice on Mr. Ghorbanifar in December of 1985 after I became aware of who a certain individual known [redacted] as Ascari really was. I don't think I ever reviewed [redacted] the Ghorbanifar 201 file until the fall of 1986.

BY MR. KERR:

Q And this was in conjunction with what? What were you looking at Ghorbanifar's 201 for the fall of 1986?

A I think it was about the time frame where I was

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becoming concerned over what I call the first channel, and I wanted to again go back and read everything I could about Ghorbanifar. I never got through it all because I had at the time numerous other duties, but I scanned through it. And it sat in my office for a couple of weeks, I recall.

Q Is there any particular event that you can associate your interest in reviewing the 201 file to? Was it the trip Mr. Nir made into Washington, D. C. in September of '85? Was it the concern over pricing in August of 1985? Was it Furmark's visit -- excuse me, '86?

A I suspect it was a combination of those. I wanted to review, particularly to go back to see what was in the file because Mr. Furmark spoke about Mr. Ghorbanifar having raised the issue relating to the hostages, I believe as early as January '85. And then, of course, I had heard from other people that Mr. Shackley had had a conversation with Mr. Ghorbanifar in the fall of '84.

Q I apologize. I did misspeak. The Nir visit was September of '86. Was it at that time you looked at the Ghorbanifar 201?

A I can't recall the specific date.

Q You did mention Mr. Furmark. The first occasion that you would have had to speak with Mr. Furmark would have been in October of '86?

A 16 October is the first time, 1986, was the first

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time that I met Mr. Furmark directly.

Q Is it your recollection you would have reviewed the Ghorbanifar 201 in preparation for that conversation in October of 1986?

A I don't recall as to the reason. I believe it was probably after the Mir visit in early September that I looked at the 201 file.

Q But again, so I understand, you simply did not have knowledge of these documents or the Hashemi-Shaheen Initiative [redacted] and July of 1985; is that correct?

A That is correct.

Q And one more shot at it. You did not know in July of 1985 that the operational directorate concluded that it did not wish to pursue discussions initiated by Hashemi with [redacted] is that correct?

A [redacted]

Q [redacted] about these matters in July of 1985; is that also correct?

A That is correct.

Q You did not have occasion to discuss these matters with [redacted] in December [redacted] that correct -- these matters being the July [redacted] Hashemi --

A I did not discuss the specific Hashemi initiative with [redacted] in 1985, December.

Q I'm sorry to be tedious on this, but [redacted] did not

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raise with you the Hashemi contacts in June-July 1985 when you talked with [redacted] in December of 1985?

A To the best of my knowledge I did not.

Q At the same period of time as these cables, July 9 through 12, 1985, Mr. Bud McFarlane is said to have met with Mr. Schwimmer and Mr. Kimche in the Tower report. Did you have any knowledge of those meetings going on at that time?

A Not at that time.

Q Secretary Shultz told the Tower Commission that he knew of Ghorbanifar's identity by July 16, 1985 and indeed he knew by July 16, 1985, of the Ghorbanifar burn notice as a result of reviewing intelligence reports at that time. Again using that as a way of trying to focus your recollection, does that refresh your recollection that you yourself would have known of the Hashemi-Ghorbanifar initiative in July of 1985?

A I recall nothing about that initiative in that time frame.

[redacted]

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[redacted]

Q In the third week of August 1985, according to the Tower Commission, Mr. McFarlane received from Mr. Ledeen certain documents that [redacted] in turn received from Kimche which in turn had been prepared by Ghorbanifar. That collecting of [redacted] August of 1985; is that correct?

A I was not aware [redacted]

Q In late August 1985 the National Security Council appears to have imposed certain responsibilities on Colonel North with regard to the American hostages in Iran and among other things had issued or ordered issued to Colonel North an alias passport in the name of William P. Goode. Did you have any knowledge of Colonel North's involvement in matters relating to the American hostages in Lebanon in late August of 1985?

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A Not in that context, but only in the fact that as essentially the NSC staffer responsible for coordinating counterterrorist activities he was exceedingly active in the area of the American hostages in Lebanon. He indicated that, but at that point I was not aware he had an alias passport.

Q Let me come at it another way. You had mentioned to us in your interview and in other contexts that the first assignment you received from Colonel North relating to these matters occurred on or about September 9, 1985; do you recollect that?

A I recollect it. That is correct.

Q Do you have a present recollection of any assignments that you would have received from Colonel North relating to the American hostages in Lebanon prior to September 9, 1985?

A He [redacted] from time to time on the Iranian involvement in the holding of American hostages in Lebanon and assessment of captors involved. But the tasking was sporadic.

[redacted]

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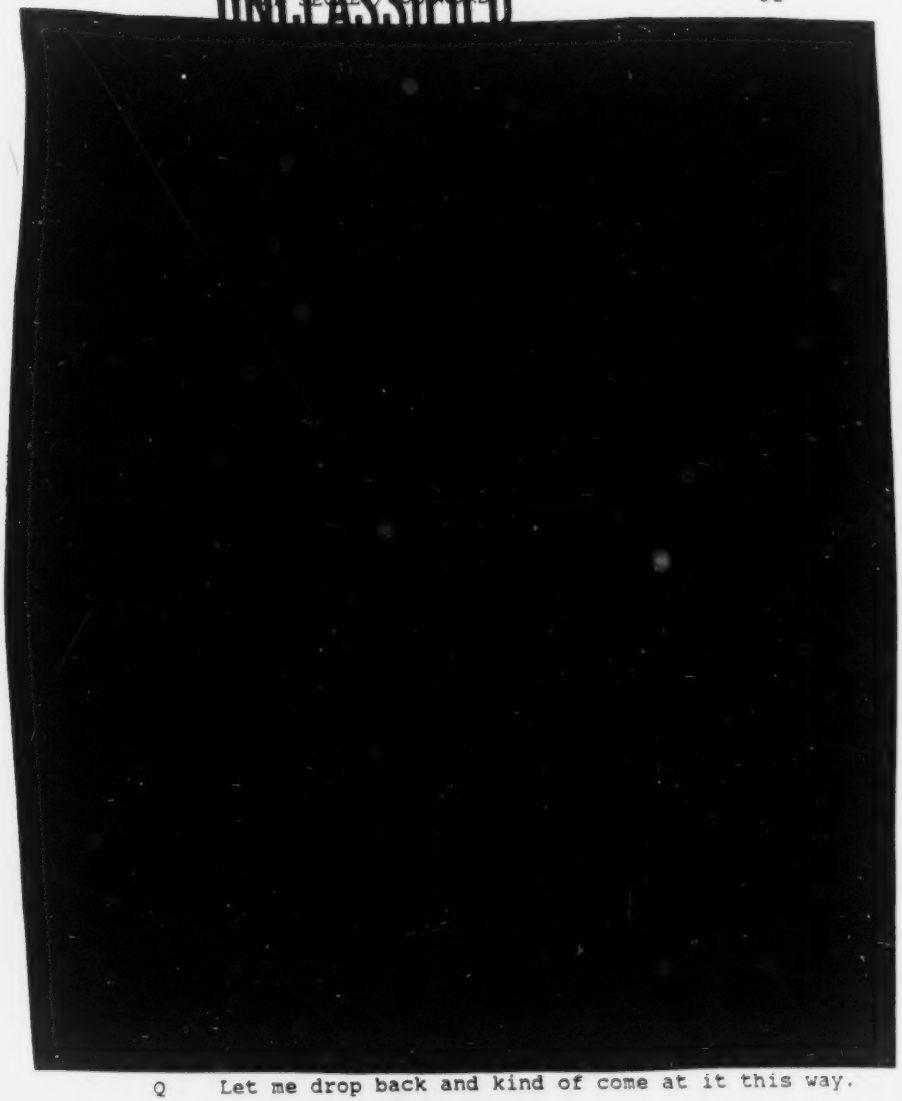

Q Let me drop back and kind of come at it this way.

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The September 9 date, what is it that jogs your recollection that that's when Colonel North got in touch with you? Why is the September 9 date one you can pick out with that kind of definition?

A Well, because he called in the morning on secure. He spoke with some excitement and stated that it was imperative that the intelligence community be tasked with increasing collection immediately on Iran and Lebanon, that he could not provide details but that he anticipated an early hostage release from Lebanon, perhaps involving William Buckley. He provided a name, quite garbled, but with the research of a Directorate of Intelligence analyst I was able to identify the name [redacted]

I provided that information to [redacted] who began the tasking. It is my understanding that [redacted] does not recall that conversation and that tasking, and I've been over that with [redacted] several times. They do not dispute necessarily my version. They apparently have no written records at the time of the tasking.

Q You are putting your finger on one of the things that puzzles me. Do you have a written record, a contemporaneous written record of Colonel North getting in

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touch with you on the morning of September 9?

A No, I did not because of the extreme sensitivity. I felt it behooved me not to put that in writing at the time.

Q Mr. Allen, I've got high regard for your memory, but there must be something else that you are holding onto that ties your memory into that date of September 9. What is it that helps you feel certain?

A Because, as I said, we researched the name [redacted] The Directorate of Intelligence analyst assisted me in that effort and her name is [redacted] I recall going through this effort in order to perform the tasking [redacted] Colonel North called me back more than once that week [redacted]

It was only on the evening of the 13th of September that we saw [redacted] I recall some things very distinctly and that call from Colonel North I recall with exceptional clarity.

Q Believe me, I'm not disputing that with you, but do you have or have you seen a piece of paper, a document, a writing, a tangible item with the date September 9 on it which you use to bolster your recollection?

A I do not have that.

Q Moreover, Director Casey also remembered September

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9 with some clarity with regard to testimony that he was going to give in December of 1986. Anything that you can think of that would have that magic date on it that would help us focus in on that?

A Well, the Independent Counsel has my files. It's possible that the research that was done on the individual's name might well be in that file because the analyst prepared a little brief summary of what we knew about the individual, [redacted] and the information we had on him. But I don't have my file, so I cannot go back and research it.

Q Well, I'm not going to beat this horse much further, but you may recall that on October 7, 1985, you prepared a memorandum for [redacted] in which you recited the history of your involvement in the Iran initiative [redacted] Do you recollect that memo?

A [redacted] yes. I don't recall that date, but I assume it was in --

Q I'm going to show you the memo in a minute, but the reason I want you to focus on the memo is that it talks about September 12 as the date that you were contacted by Colonel North as opposed to September 9, which suggests to me that sometime after September 9 you may have seen something that had September 9 written on it, which changed your recollection. Is that possible? Anything's possible. Do

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you recall such an event taking place?

A No, I don't. It's my view that the call occurred about the 9th of September, on or about.

Q Let me show you the October 7, 1985, memorandum which appears to be signed by you that went via [redacted] whose name I probably am mispronouncing.

A No, that's excellent.

Q To [redacted] That will be Exhibit 7.

A I recall the memorandum.

[redacted] was marked [redacted] Exhibit Number 7 for identification.

A I recall that memorandum.

MS. MC GINN: Can I see that for a moment?

MR. KERR: Sure.

THE WITNESS: Clearly there is a discrepancy between my recollection of the 9th and my written statement of the 12th.

BY MR. KERR: (Resuming)

Q Yes, sir, and that may not amount to a tinker's damn -- you'll pardon the expression -- but I'd like to know what it is that causes the discrepancy, what it is that causes you to be fixed on September 7 when this earlier memorandum -- excuse me, September 9, when this earlier memorandum has you mentioning September 12.

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A Only that I recall that it was three or four days before [redacted] that we had to conduct research in the meantime, and that Colonel North called back two or three times [redacted] And he is a rather impatient individual and I explained to him that the world didn't work that way, that we couldn't manufacture it, that [redacted] we were working very hard to do so.

[redacted] it's my recollection it was earlier than the 12th, and I cannot [redacted] cy of three days.

MS. MC GINN: May I just ask you, Mr. Kerr, whether you got this from us [redacted] We're trying to write down a file to identify it for our records.

MR. KERR: We got it from the Senate Intelligence Committee. My understanding is the Senate Intelligence Committee got it from the Central Intelligence Agency.

MS. MC GINN: We're just perplexed because there are none of the usual identifying numbers on this which would help us to identify it back in our files.

MR. KERR: Moreover, while we are talking about files, I would very much appreciate getting a copy of that document that has not been expurgated. I am sure Mr. Allen wrote it without those black splotches on it. I would like to receive it in its unsplotched condition.

MS. HUGHES: If we can identify it back in our

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files, we'll see what we can do.

MR. KERR: I know [redacted] had in his hands, as I glanced over his shoulder, that vary document in an unsplotched format.

To assist my brother from the House, let me identify what we have on this thing. It has a Senate Select Committee identification -- this is the Senate Select Committee on Secret Military Assistance to Iran, et cetera -- of I-0644 through 0646. And I believe it has an executive registry number of 86-01501, although that may be in error. The memorandum itself bears the NIC number of SC 8337-85. I'm sure any number of other numbers were assigned to this document at the time.

BY MR. KERR: (Resuming)

Q But in terms of a quest for a piece of paper that has the date September 9 on it, this doesn't assist us and you can't tell me any other document that I could look at that would tell me what happened on September 9?

A When the Independent Counsel returns my files I will certainly research that question.

MR. KERR: My suggestion would be that we break for lunch in light of the 12:00 suggestion and return at 1:00.

MR. VAN CLEVE: I think I may be a few minutes late, but you all ought to go ahead.

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(Whereupon, at 11:58 a.m., the taking of the instant deposition recessed, to reconvene at 1:00 p.m. the same day.)

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AFTERNOON SESSION

(1:08 p.m.)

Whereupon,

CHARLES E. ALLEN,

having been previously duly sworn by the Notary Public, was further examined and testified as follows:

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE - Resume

BY MR. KERR: (Resuming)

Q Mr. Allen, let me sort of pick up where we left off with regard to the Israeli shipment of 100 TOW missiles which occurred August 30 or thereabouts 1985. You did or did not have contemporaneous knowledge of that shipment?

A None.

Q We understand that there were some reports in the Operations Directorate in September about that shipment, related to that shipment. Can you tell me when you became aware of the fact that the Israelis had shipped 100 TOWs on or about 30 August?

A I think the specific number of 100 I only knew about when we were putting together the chronology after the 25th of November 1986. I knew that there had been some cable traffic in October '85 because [redacted] -- had commented about some unusual activity. He did not have any particulars, but he knew that there had been an emergency

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landing of an aircraft in Tel Aviv on 15 September 1985.

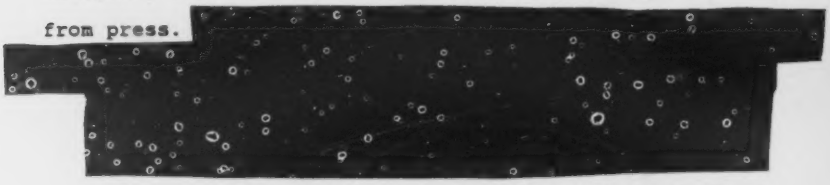
He asked what I knew about it, and I did not give him a direct response.

Q Did you have knowledge of it at that point?

A I did not have knowledge of the 100 TOWs, no.

Q But you had knowledge of the flight?

A I had knowledge that a flight had made an emergency landing in Tel Aviv on the 15th of September 1985 from press.



Q To help me along, at the time that North first talked to you in early September, the 12th or the 9th, he did not apprise you of the fact that a shipment of TOWs had been made by Israel to Iran; is that correct?

A That's correct.

Q In terms of the initial conversation you had with North, that was by telephone; is that correct?

A By secure telephone.

Q Could you [illegible] for me your best recollection of what was said in that telephone conversation?

A I can paraphrase what he said. Essentially, he said that there was a very sensitive initiative under way relating to the American hostages in Lebanon, that there was

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a good potential that a hostage or more than one hostage would be released in the coming days, that this information had to be handled on a very strict need-to-know basis, that he would not wish me to discuss it beyond the Director or the Deputy Director.

He indicated that an individual in the Iranian government holding a senior position [redacted] was a principal contact [redacted] He had a garbled name that, as I have stated previously, that I researched with the aid of an analyst in the Directorate of Intelligence. We had a small amount of information on this individual [redacted]

Q You got [redacted] from North as well as the garbled name?

A [redacted]ods in the negative.

Q No. Okay.

A No. [redacted] So that was the essence. He did not explain any other aspect of this initiative, provided no background whatsoever, emphasized strongly the security aspects.

Q Elaborate for me a bit on how you all determined [redacted] How did you determine what the name was [redacted]

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[redacted]

A Well, the name was -- he said that this individual had a name like [redacted] And that's all he knew, except that the man had been involved, he thought, in terrorist operations. Could we find some information on this individual [redacted]

Well, after some research by the analyst, she came to me with just a couple of sentences on who this individual was. There was an individual named [redacted]

Mr. North provided no [redacted] to me whatsoever.

Q That's helpful. Did she do this by way of a name trace through the CIA's own 201 files?

A She did both a trace in the overt files, as we call them, on the Directorate of Intelligence side, and she also ran a trace, as I recall, through the Directorate of Operations.

Q Again, so that I am perfectly clear, the only name that you were pursuing at that point was what you ultimately determined to be [redacted] is that right? You had not been given the name of any other persons [redacted]

A That's absolutely correct.

Q When and under what circumstances did your focus broaden beyond [redacted]?

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A When we obtained on the 13th of September 1985 the [redacted] The name Ascari [redacted]

Q Now let me pursue. You got that on the 13th [redacted] What efforts, if any, did you make to determine the identity of Ascari at that point?

A We tried for several hours on the night of the 13th and the 14th. Colonel North asked us to research the name. He said he didn't know who this individual was. Could we research it? I called in a biographic analyst, who found a couple of names in Iran that were possibly identical, and I provided that information to Colonel North, but I was not confident that this was the case. It seemed like this was another individual or at the time we, [redacted] said that given the fact we can't identify this individual it may not be a true name.

Q In the course of the search you all made on the 13th and 14th did you hit, so to speak, on Ghorbanifar's name in the course of that search?

A No.

Q Do you know whether or not a request was actually made to the Operations Directorate to search its files for this individual Ascari?

A I don't know.

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Q You have no particular recollection of you or people working for you getting in touch with either [redacted] or [redacted] on this aspect of things?

A No, I don't.

Q Just pursuing why that is so, again within this mode of extreme discretion was that what was preventing you from calling up the folks in the Near East Division or what?

A I believe that security was very much a consideration. However, I can't recall. The analysts may well have asked [redacted] search of the DO files. I don't know.

Q [redacted] reason I'm curious [redacted]

A Because the search would have been on Ascari. That was the only name we had.

Q Let's talk about what the CIA has access to. The name Ascari appears repeatedly in the Ghorbanifar 201 file. It is something that he's used for quite some time. I would have thought that had you [redacted] name Ascari the CIA's filing system would [redacted] as a possible identity. If it didn't happen, I'm curious as to why it didn't happen. Is the filing system not set up that way or what? [redacted]

A I can't answer that.

Q You can't answer that. In terms of who did a search on the name, who actually did that for you?

A I don't recall the analyst's name.

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Q Did you have more than one analyst working for you at that time?

A Conducting the research on this name?

Q Yes.

A One or two did the research.

Q Can you give me the universe of possible analysts that would have been working for you at that time?

A I can't at this stage. I do not recall their names. I do know that I recall asking the DDI analyst on Iran, [redacted] to research that name and she was unable to shed any light on the individual's identity.

Q Do you recall when you went through the 201 file there was a list, among other things, of the various passports that Mr. Ghorbanifar had used going back to 1982 and that Ascari and several other names, like Kralis and several other others, showed up in that file?

A I recall that that was an alias used, yes.

Q [redacted]

A [redacted]

Q But you were left with the distinct impression at the time North called you in early September that he himself did not know the identity of Ascari; is that correct?

A He stated he did not know who Ascari was. That's

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the reason he asked me to do the research.

Q I understand. In that period of time, September 9-13, at the outset were there any other tasks given to you by Colonel North [redacted]?

A Relating to Iran?

Q Yes, I'm sorry.

A Not to my knowledge.

Q Let me show you [redacted]

A [redacted]?

Q [redacted]

A Nine to 13 September?

Q Yes.

A Okay, thank you.

Q In September, let's go at it that way, did there come a time when your tasks were broadened, your assignment became greater than simply trying to collect [redacted] with regard to the Iranian situation?

A I can't recall any specific tasking. I don't know that there might not have been something relating to Iranian terrorism at that time which I was tasked by the NSC and by other people on Iranian terrorism throughout the two years I've served as the National Intelligence Officer, but I can't recall anything specific.

Q Let me give you a more specific focus. Do you recall in this period of time, certainly by the 18th of

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September, being told by North of a possible arms deal between Iran and international arms dealers [redacted] and a request that you find out as much as you could about such a deal?

A I recall that on the 26th of September 1985 there was [redacted] I was conducting a seminar at an offsite facility of the Agency and Colonel North called me and asked why I was down there doing that. And I said because I have other responsibilities, but that's anecdotal.

He asked me to look into [redacted] and he said this has nothing to do with what we are doing, what really is going on.

Q We'll come to that in another way, but let me show you a memorandum dated September 19, 1985, which appears to be from you to Colonel North, which has attached to it a memorandum dated September 18,1985 from [redacted] of [redacted] in the Intelligence Directorate. For reference purposes, it's Senate Select Committee document N-6224 through 6246. If you would mark that as Exhibit 8.

(The document referred to was marked Allen Exhibit Number 8 for identification.)

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Mr. Allen, if you would take a moment to glance through that document, I'd like you first to tell me whether it's your memo and then we'll see if it refreshes your recollection on assignments you had gotten from Colonel North on the transaction that seems to be referred to there.

(Pause.)

A You have questions on this?

Q Is that your memo, first of all?

A That's my cover note. I would not call it a memorandum.

Q And by way of that note you sent that material to Colonel North, correct?

A Yes, I did.

Q And that appears to reflect an interest that Colonel North had expressed in [redacted] potential transaction between [redacted] and the government of Iran, which apparently you were checking into for Colonel North.

A I'm not certain I was checking into it for Colonel North because it doesn't say that. It says it was my request to the CIA's Directorate of Intelligence for any impending arms negotiations between Tehran and possible international arms dealers. Conceivably this could have been a request from Colonel North, although I may have initiated this on my own [redacted]

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[redacted]

Q The reason I'm asking you to look at it is, you see, I'm trying to get, stir a recollection on the breadth of the assignments that you would have had in the first two weeks of September 1985. It appears to me that however it happened you had some interest in arms transactions in Tehran, and I'm trying to get a sense of why it was that you had that interest and what you were looking for.

A Well, the interest was precipitated [redacted] about arms deals between [redacted] and the Iranian government [redacted] I may have actually done this on my own to try to discern what was occurring on the international arms market and then routed this to [redacted] not certain that [redacted] recall [redacted] on the 26th of September -- [redacted] but I think it was the 26th of September -- where he called me offsite on secure telephone and said [redacted] He said find out what this means because this does not concern any initiative that we have under way. And I said I would do that.

But I don't know that he requested this.

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Q And you have no additional recollection of North telling you about a potential arms transaction of which he had heard as of September 19?

A I don't know. I don't recall.

Q As you are aware, at the present time, on September 14, 1985, Israel shipped an additional 400 TOWs. We talked briefly about the airplane. You were aware -- I take it you are telling me that you were aware from cable traffic and the like in October that there had been -- you were not aware in October?

A I want to correct what you said. I was aware that [redacted] raised in the context of a discussion with me -- and I do not recall why he raised it -- but he indicated that there had been an aircraft into Tel Aviv with an emergency, that made an emergency landing, and which received international press attention. This aircraft allegedly had come out of Tabriz, declared an emergency over Turkey and landed at Tel Aviv.

He said he was unable to obtain any information about it and I told him -- at that stage I told him nothing. I just listened to what he had to say.

Q Had you reacted to what he said, what would you have known at that point is really what I'm trying to find out. What familiarity did you yourself have?

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A All I would have known would be the activity that occurred over the weekend of 13 to 15 September, the release of Reverend Weir [redacted] That would have been all I could have told him. I could not have told him any further details, I don't believe.

Q [redacted] You were not being given information by Colonel North at all on what was transpiring; is that a correct assessment?

A That is correct, [redacted] one could surmise that arms transactions of some nature were involved [redacted]

Q We understand [redacted] that the Defense Intelligence Agency [redacted] 87 that there were cables out of [redacted] relating to the aircraft traveling on September 18 and 19 that we have just been alluding to. Were you reading that cable traffic?

A [redacted]

Q During that same period of time, mid-September 1985, again according to the CIA's memorandum of the events of September, the Israeli censors killed a story that there

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had been a flight into Tehran based on a meeting of David Kimche and Bud McFarlane. Again, as to what you knew, were you aware that there had been that effort by the Israeli censors to block publication of this?

A No, I was not aware.

Q So in terms of what you yourself were receiving, you were receiving [redacted] is that correct?

A On this initiative I was receiving that.

Q In terms of the Operations Directorate cable traffic that would be coming out of [redacted] Near East [redacted] and the like, you would not have been tied into that; is that correct?

A Not unless they disseminated the intelligence as what they called telegraphic dissemination.

Q [redacted] again what I'm trying to get a sense of. You were not [redacted] the Operations Directorate loop on cable traffic coming out of the Middle East at this point?

A No.

Q Yes, that is correct?

A Yes, that is correct. I would not want to mislead. From time to time there might have been a cable [redacted] showed me on something on terrorism of an operational nature, but I was not regularly reading the operational traffic.

Q With regard to standard or traditional roles for

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CIA personnel, was what you were being asked to do for Colonel North [redacted] was that within the ambit of your standard or traditional duties or was this an unusual kind of task to have assigned to you as an NIO?

A It was probably unusual. It fell within the purview of tasking. The National Intelligence Officers regularly develop requirements for tasking [redacted] So this was a more intensified, selective type of requirement, and it was unusual to a certain extent.

[redacted]

Q Well, forgive perhaps my not really understanding the roles of the various directorates, but I would have thought that what you were gathering was the kind of thing that either the folks in the Directorate of Intelligence or, more likely, the Operations Directorate, would in the traditional assignment of roles have been responsible for. I would have thought that the NIO would be more into the

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business of making analyses than collecting raw data.

A He does estimates, but he also sets priorities. He coordinates intelligence community activities relating to counterterrorism. That's under the Vice President's Task Force on Combatting Terrorism. I suggest you read the responsibilities given the NIO for Counterterrorism.

Counterterrorism tends to be an operationally oriented type activity. There are certain long-range estimative aspects, but some of it is not that. The Director of Central Intelligence when I advised him of what I was doing personally on the 16th of September, directed that I continue to work with Colonel North on this activity and on this collection effort.

I also discussed it in detail over the entire collection time with [redacted] He and I conversed many times. We met personally a number of times.

Q Let's pursue that. During the period September 13 until you met with Casey on September 16, had you alerted anyone in the Operations Directorate -- Mr. George or any of his subordinates -- that you were taking on this role?

A No.

Q Had not?

A If you will recall, I testified a few minutes ago

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that Colonel North asked that I restrict this to the Director and Deputy Director, which I did.

Q Well, did you call the Director or the Deputy Director between the 9th, by your date, and the 16th?

A I talked to the Director of Central Intelligence on the 13th by secure telephone and discussed [redacted] over secure telephone.

Q So the first conversation you had with the Director about this assignment you received from Colonel North would have been on the 13th [redacted] is that correct?

A That's correct.

Q As to whether or not the assignment was one that the Director approved, you did not seek that approval from the Director at the time the assignment was made; is that right?

A That's correct. Would you repeat the question? There was an inference there I did not care for.

Q You did not seek the authorization of the Director or his Deputy to carry out the task given to you by Colonel North at the time the task was initially given to you; is that right?

A That's correct. I had similarly tasked [redacted] in other circumstances. In my view, it fell within the tasking and coordination role of the National Intelligence Officer

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for Counterterrorism. I have yet to find anyone dispute that.

Q Well, don't despair. It may happen before it's all over.

A Well, you can challenge it if you want to.

Q With regard to when you did advise Casey of this assignment, it would have been on the 13th [redacted] is that right?

A That's correct.

Q Now what did you tell Casey about why you were [redacted] at that time?

A I told him at the request of Colonel Oliver L. North I was [redacted] The Director listened [redacted] He indicated that he wished for me to stay in touch with him on developments. He did not seem to be quite aware of what the initiative that Colonel North was pursuing and, as I recall, to the best of my recollection, he stated it might relate to [redacted]

Q As of that time had you received any explanation from anyone as to why this assignment was not given to the Operations Directorate or the Intelligence Directorate of the

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CIA? [redacted]

A Why don't you ask the question again, because I don't understand it.

Q Could you read it back?

THE REPORTER: Question: "As of that time had you received any explanation from anyone as to why this assignment was not given to the Operations Directorate or the Intelligence Directorate of the [redacted]"

THE WITNESS: As of that time Colonel North had come to me. He stated because as a National Intelligence Officer I could task agencies of the intelligence community, not just CIA, and he believed that I was the individual who could coordinate that activity. No one else offered any views one way or the other. Mr. McMahon and Mr. Casey [redacted] over that weekend, and they expressed interest [redacted]

We made [redacted] 13-16 September. There [redacted] available to the Director of Operations, Mr. George, as I recall.

BY MR. KERR: (Resuming)

Q All right. Let me pursue that. I was not aware of that. Mr. George would have been receiving [redacted] that began on the 13th of September?

A He was receiving to read and return to the Director the copy that came. We were getting it in one copy,

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hard copy. Electronic dissemination was not feasible. If you try to disseminate it electronically and ask for one electronic copy the computer system will produce 32. I can assure you that is a fact.

Q I believe anything about a computer.

So I understand, from the outset with regard to receiving [redacted] your recollection is that Clair George was made privy to [redacted] that correct?

A I know he saw [redacted] that were received on the 13-16 September.

Q How do you know that?

A Because they were taken to him.

Q By whom?

A I believe in some cases I made certain he saw them; in other cases, [redacted] who, when I ran out of steam and couldn't stay awake any longer, substituted for me. But I recall numerous times walking into Mr. George's office and showing him [redacted]

Q And this would be numerous times in the period September 13 through 16?

A No. I'm speaking in the succeeding months.

Q Let's stay in September.

A Well, I just want to make sure. I don't know the number of times that one walked down to see Clair George between the 13th and 16th.

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Q On any of those occasions between the 13th and 16th, when you walked down to Mr. George's office did you discuss with Mr. George why it was you were collecting this material?

A I don't recall that.

Q You just kind of came in and plunked it on his desk?

A Let me correct the record. I explained to him that this was [redacted] at the request of Colonel North. I gave him that background at the outset.

Q All right. Pursuing that, when you got [redacted] and you hand-carried them down to Mr. George's desk, you would not have discussed with Mr. George what [redacted] about and what they might imply?

A I don't recall the specific conversations, but I'm certain there was some conversation as to the substance [redacted]

Q I would assume that in the ordinary course you receive your assignments from someone other than Lieutenant Colonels on the National Security Council staff, isn't that right?

A I receive requests from a variety of people. I receive requests from senior officials of various departments and agencies, from the Director of Central Intelligence, the

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Deputy Director of Central Intelligence, and especially the Chairman of the National Intelligence Council.

Q Well, help me out. The National Intelligence Council is the organ that you are a part of. There is Chairman and Vice Chairman of that body, is there not?

A There is a Chairman and a Vice Chairman.

Q In terms of assignments being handed out to NIOs, are the assignments given by the Chairman or the Vice Chairman or are they made in some other fashion?

A No, the tasking may come directly, say, from Ambassador Bremmer, Director of the Office of Combatting Terrorism. I normally inform the Chairman and Vice Chairman of the task. I just did an estimate on the insurgency and counterinsurgency [redacted]. The tasking came from Ambassador Bremmer.

Q Is there and was there in 1985 a policy or program for clearing assignments that came, for example, from the White House by way of the NSC?

A No. I obtained numerous requests from the NSC. We normally kept Mr. Gates, the Chairman, involved on anything that was at all significant. Any type of substantive analytical assessments one would certainly as a part of our normal meetings with Mr. Gates, we would inform Mr. Gates of this.

Q But again so I understand, you felt it was

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perfectly within the standard operating procedure of the National --

A I report to the Director of Central Intelligence. I don't report to the Chairman of the National Intelligence Council. The National Intelligence Council chairman acts as a dean of the faculty. He clearly has certain authorities over us, but we act as the faculty for the Director of Central Intelligence. So I feel that on cases of tasking at the national level from the White House it was perfectly feasible for me to take that tasking and to inform the Director of Central Intelligence.

The Director of Central Intelligence is my boss and if he saw anything wrong with the tasking he would have told me at the outset. Mr. Casey is not a man to mince words.

Q So I can follow the lines of authority here, you got a call from Colonel North on either the 9th or the 12th of September asking you to [redacted] and you did not check on whether or not you could do that with anybody until after [redacted] is that right?

A I don't call it [redacted] He asked me to try to [redacted] and to determine if [redacted]

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[redacted]

I felt that this was an appropriate request from the NSC. This was an appropriate task which I discussed with [redacted] and on the 13th I explained to Mr. Casey what I was doing. He saw no problem with my performance from the 9th through the 13th of September.

Q In terms of [redacted] that was something that you initiated, isn't that right? You're the one that [redacted] said do it; isn't that correct?

A I requested [redacted]

Q And at the time you did that you did that only on the authority of Colonel North; is that correct?

A I did it on my authority.

Q At the request of Colonel North.

A At the request of Colonel North.

Q And you cleared it with no one else in the Central Intelligence Agency?

A That's correct. I didn't have [redacted] to clear until the 13th. Once I had [redacted] I then discussed it with Mr. Casey at some length on the secure telephone. And I believe I talked to him more than once on

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the secure telephone that weekend -- he was in New York -- as [redacted] came in, and I also discussed with him when Mr. Weir was released on Sunday morning the 15th of September. It all seemed very pro forma to me.

[redacted]

Q Was it your belief and understanding as of mid-September, the 13th through the 16th, that Mr. Buckley was still alive?

A Of September? No. It was my belief that he was dead.

MR. KERR: Thank you.

(A brief recess was taken.)

BY MR. KERR: (Resuming)

Q At the time we broke, Mr. Allen, you indicated in September 13 to 16, 1985 it was your belief that Mr. Buckley was dead; is that correct?

A That was my belief [redacted] We had no conclusive proof that he was dead.

Q With regard to the hostages in Lebanon, you had in fact, as of September 13 to 16, been working closely with Colonel North as to location of the hostages and efforts to get them out by way of ransom money; isn't that correct?

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A That is not correct.

Q Do you have a recollection, sir, of working in the summer, spring-summer-fall of 1985 with agents of DEA for the purpose of working with them to ransom hostages in Lebanon?

A I don't have any recollection of meeting with any DEA agents in that time frame, and that specific time frame, to the best of my knowledge and recollection I did not meet with any DEA agents relating to hostages in Lebanon.

You must remember I was the National Intelligence Officer for Narcotics. I met with a lot of DEA officers, but not on hostages.

Q Do you recall meeting with any DEA officer, official, representative in the period between May and September 1985 for the purpose of discussing with them an arrangement to ransom American hostages in Lebanon?

A I do not recall.

Q Do you know a DEA agent representative by the name of [redacted]

A I have met [redacted] but only and based on my recollections I met him only after I was named Director of the Interagency DCI Hostage Location Task Force in late December 1985.

Q You do not recall meeting with him in the period May through September 1985 with regard to a plan in conjunction with Colonel North to ransom hostages for several

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hundreds of thousands of dollars in Lebanon?

A I can't recall that, no.

Q Did you ever become aware at any time of any plan in which Colonel North participated with representatives of DEA to ransom hostages in Lebanon

A I was aware that Colonel North had two DEA agents apparently seconded to him from that agency with the approval of the Director of that agency, but I don't recall exactly when I became aware of it.

Q What were the names of those agents?

A One was [redacted] and you clearly know the name of the other. If you will refresh my memory I would be grateful.

Q [redacted]

A [redacted]

Q Do you recall meeting with [redacted] at his home or at yours to discuss matters relating to hostages?

A After I became Director of the DCI Task Force they both came to my home one evening to discuss their contacts and initiatives relating to freeing the hostages in Lebanon.

Q And that would have been approximately [redacted] in the [redacted] or?

A [redacted] '85, early '86. I can't recall precisely.

Q Was there anyone else present besides the two of

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you, the two of them and yourself, at that meeting?

A My wife and daughter, but they weren't in the same room.

Q Were any notes or memoranda made of that meeting?

A No, not that I recall.

Q And it's your recollection that you only had one such meeting with these folks?

A At my home. I believe that they were introduced to the operations subgroup of the TWIG or its predecessor in about the December '85 time frame, because I recall they appeared at Colonel North's request at a meeting in the White House situation room.

Q And that would have been when?

A Around December '85, where we talked about the location of the American hostages in Lebanon, their condition.

Q At the time that these two gentlemen met with you at your home did they relate to you their activities with Colonel North in the summer of 1985 in an endeavor to rescue the hostages?

A I don't think they went into any specific operation. They spoke about, as DEA agents, DEA has [redacted] and that they had some contacts [redacted] back into Lebanon.

MR. LIMAN: Could I ask a question?

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MR. KERR: Sure.

MR. LIMAN: Did you ever learn of a plan to use DEA agents to pay ransom to get back the hostages?

THE WITNESS: Did I ever learn of it?

MR. LIMAN: Yes, sir.

THE WITNESS: At any time during this whole episode?

MR. LIMAN: At any time means ever.

THE WITNESS: I don't recall ever being told directly by either the agents or by Colonel North that such an initiative was under way where ransom would be paid for the securing of the release of the hostages. I do recall that the DEA agents were to be used to try to track down the location of the American hostages.

MR. LIMAN: Did you ever learn of any plan -- I mean ever, ever learn of any plan -- to use DEA agents to pay money to get back the hostages?

THE WITNESS: A specific plan at a specific time?

MR. LIMAN: Any idea. Was that ever discussed with you that DEA agents were being used in an effort to get back the hostages by paying money?

THE WITNESS: By paying money, not in the 1985-1986 time frame.

MR. LIMAN: Did you hear of it earlier?

THE WITNESS: I recall when I was working on an

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project in the Department of Defense where Colonel North one evening in his office alluded to the fact that he was hopeful of obtaining release of American hostages in Lebanon, and he was dealing with a chap named [redacted] -- a DEA officer -- and he mentioned some sums of money, but I do not recall any specifics of that.

I was working on something totally different and had little or no interest in hostages, counterterrorism or anything relating to that.

MR. LIMAN: Roughly what period was that?

THE WITNESS: That would have been in the late summer-early fall of 1984. That's the only thing I can recall. I can't recall anything more specific.

MR. LIMAN: And that's the only time that you ever heard of, heard any discussion about the possibility of paying money to get the hostages back?

THE WITNESS: Specific information from Colonel North or from the DEA agents?

MR. LIMAN: Anyone.

THE WITNESS: I can't recall specific information.

MR. LI[redacted] you ever hear anyone discuss a possibility of paying money through DEA agents to get the hostages back other than that one incident you talked about in the Department of Defense?

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THE WITNESS: I don't recall any specific.

MR. LIMAN: Did you ever hear that Colonel North had raised some money for paying to get the hostages back?

THE WITNESS: In the August 1986, Mr. Clarridge, who was a member of the Operations Subgroup, and I attended a meeting at the White House and Colonel North had told Mr. Clarridge sometime during the meeting that there was an effort under way by Mr. Perot to secure the release of hostages in Lebanon through the use of private monies and that Mr. Perot had sent some of his officers to Cyprus to try to conclude such a deal.

MR. LIMAN: Did Colonel North say he was assisting in this?

THE WITNESS: I did not discuss this with Colonel North. I only discussed it with Mr. Clarridge.

MR. LIMAN: Did Mr. Clarridge tell you that Colonel North had said he was assisting in this?

THE WITNESS: He didn't put it in those terms.

MR. LIMAN: What did he say about Colonel North's role?

THE WITNESS: He said Colonel North had told him that Mr. Perot had sent officers to Cyprus with some private funds to try to obtain the release of American hostages in Lebanon. Mr. Clarridge and I speculated that this probably wouldn't work.

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MR. LIMAN: Did Mr. Clarridge mention to you that DEA agents were involved in this effort?

THE WITNESS: No, sir.

MR. LIMAN: And when the DEA agents came to your home, did they talk to you about the fact that they were going to be spending money to try to get the hostages back?

THE WITNESS: Not in those specific terms that I can recall.

MR. LIMAN: Did they talk about money at all?

THE WITNESS: I don't think so. I interviewed them at the request of Colonel North in order to determine what type of access that they had, who were their informants, and what were their level of access within the Lebanese society.

MR. LIMAN: Did they tell you that they were paying informants?

THE WITNESS: Well, DEA officers pay informants for information on narcotics.

MR. LIMAN: But this was not information on narcotics, was it?

THE WITNESS: They stated they had [redacted] and I can't recall who they were [redacted] But I did

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[redacted]

not find the leads that they had all that promising.

MR. LIMAN: Were they sent to you so that you could evaluate whether they were likely to be successful?

THE WITNESS: Well, to evaluate, and then I had on my hostage location task force [redacted] He took a trip with one or both of these officers to visit [redacted] to discuss the value of these people and to evaluate them.

It was more a valuation of their potential.

MR. LIMAN: Now was that trip paid for out of the CIA budget?

THE WITNESS: Um-hum.

MR. LIMAN: Did you ever hear that the NSC was using its own funds to finance this effort by the DEA agents?

THE WITNESS: I was never told what funds were being used by these officers, what was the source of their funds. No one ever indicated that to me.

MR. LIMAN: Did anyone say how much they were spending?

THE WITNESS: No, sir.

MR. LIMAN: Did anyone tell you that they were receiving cash from Colonel North?

THE WITNESS: No, sir.

MR. LIMAN: Did you discuss the DEA's role in

[redacted]
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attempting to locate the hostages with anyone at the CIA other than Mr. Clarridge?

THE WITNESS: [redacted] and I briefed Mr. Casey on the DEA initiative.

MR. LIMAN: And when did you brief him?

THE WITNESS: Well, that was after [redacted] had taken his trip, I believe.

MR. LIMAN: To [redacted]

THE WITNESS: Yes, that was probably in late winter.

MR. LIMAN: Of 1986?

THE WITNESS: Well, let us say in early spring at the latest, 1986.

MR. LIMAN: And before that you didn't brief the DCI?

THE WITNESS: I don't think there was anything really to brief him on.

MR. LIMAN: Did you brief anyone else in the CIA hierarchy on this?

THE WITNESS: I don't think so.

MR. LIMAN: Did anyone ever tell you that there was a Presidential Finding with respect to this DEA endeavor?

THE WITNESS: I never was aware of any Presidential Finding.

MR. LIMAN: Did anyone ever tell you about any

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discussions with the Attorney General about this venture?

THE WITNESS: Only in the sense that Colonel North, when he asked me to evaluate their potential, to take a hard look, he indicated that [redacted] had agreed to assign these two officers to the NSC for this purpose and that the Attorney General was aware of it.

MR. LIMAN: Now what precisely did Colonel North tell you before the DEA agents came to your home for a discussion with you?

THE WITNESS: He just suggested that now that I was director of the Hostage Location Task Force that they might have information on their capabilities to provide additional intelligence.

MR. LIMAN: And what did they tell you that they were doing?

THE WITNESS: They simply told me about their informants and that they felt that they had fairly good access. My view of it and my assessment was that it was probably worth pursuing further, but that these officers did not have access to the real individuals that I wanted access to. I wanted [redacted] and these people did not have that access.

MR. LIMAN: Was there any policy at that time that you were aware of at the CIA with respect to paying money to

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get the hostages back?

THE WITNESS: We had a policy of the U.S. Government that we would not pay ransom for hostages, yes.

MR. LIMAN: What about paying bribes to their captors?

THE WITNESS: Well, I don't know in what context your question relates, because I don't have the specifics of the event that you are referring to. But it is the counterterrorist policy of the U.S. Government that we will not negotiate nor will we ransom hostages from captors.

MR. LIMAN: Now when the agents came to your home was it your understanding that they were talking about paying money to get the hostages out?

THE WITNESS: No. They were simply going to discuss with me their capabilities as far as access agents that might have intelligence relating to -- that might have intelligence relating to the captors of the American hostages in Lebanon.

MR. LIMAN: And suppose that they had information that the hostages were being held by, [redacted] what would you have done with that?

THE WITNESS: Well, I think that would have been something in which we would have been greatly interested. I was not greatly interested in pursuing this specific operational opportunity because I did not think that they had

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the access that I was looking for.

MR. LIMAN: But I take it from what you're saying that you did not understand that they themselves, the DEA, was proposing to get the hostages back.

THE WITNESS: Who is "they"?

MR. LIMAN: The DEA.

THE WITNESS: You mean [redacted]

MR. LIMAN: No, the DEA and its agents.

THE WITNESS: That's [redacted]

MR. LIMAN: Well, he's only one person.

THE WITNESS: He is in charge.

MR. LIMAN: Right.

THE WITNESS: You are saying [redacted] had approved an operation to go after the agents?

MR. LIMAN: Did you understand that?

THE WITNESS: If that's what you're saying, I had no knowledge of that.

MR. LIMAN: Did you have any knowledge from this meeting that the DEA personnel with whom you were meeting had proposed a plan for getting the hostages back?

THE WITNESS: A specific operation?

MR. LIMAN: A specific proposal.

THE WITNESS: No. Your inference of your question is that they had a specific proposal relating to bribes, and I don't know of any specific thing.

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MR. LIMAN: What about a general proposal to get the hostages back?

THE WITNESS: Well, that was the reason they were seconded, as I understand it, to the NSC -- to work on the problem of trying to locate the hostages and to determine their condition.

MR. LIMAN: [redacted] it only to locate the hostages?

THE WITNESS: Well, I never heard of any specific rescue plan that was proposed by DEA agents.

MR. LIMAN: Did you ever hear of any general concept that they had about getting the hostages back?

THE WITNESS: I have no detailed recollection that they had a specific plan to get the hostages back once they had located them.

[redacted] MR. LIMAN: What about a general recollection of a general concept to get the hostages back?

THE WITNESS: I don't have any general recollection of a general plan to get the hostages back.

MR. LIMAN: Any concept?

THE WITNESS: They felt -- let me state what my impressions of these chaps were, is that they overestimated the access of their agents [redacted] I never heard them talk about a specific operational plan where they would in some way free them.

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The only thing that I do recall is that -- and it's been a long time since we had those discussions -- is that they felt that [redacted]

MR. LIMAN: Would a proposal to pay money to the persons holding the hostages have been inconsistent with United States policy as you then understood it?

THE WITNESS: Restate that, please.

MR. LIMAN: Would you repeat that?

THE REPORTER: Question: "Would a proposal to pay money to the persons holding the hostages have been inconsistent with United States policy as you then understood it?"

THE WITNESS: Sure, if it was a proposal to pay money directly to the captors. If it was a proposal to pay [redacted] that would be something different.

MR. LIMAN: And did you hear of either proposal?

THE WITNESS: No specific plans. There was a generic comment [redacted]

MR. LIMAN: And who made that generic comment?

THE WITNESS: I think both of those gentlemen did

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[redacted] -- and what was the other chap's name? [redacted]

MR. LIMAN: Did they say what it would take [redacted]

THE WITNESS: No.

MR. LIMAN: Did you ever discuss that with Colonel North?

THE WITNESS: No.

MR. LIMAN: What did you tell Colonel North after this meeting?

THE WITNESS: I told him I would send -- I believe, and I don't recall the precise dates or sequence -- I said I would send [redacted] to talk to some of the individuals [redacted]

MR. LIMAN: And did [redacted] report back to you?

THE WITNESS: Yes.

MR. LIMAN: What did he tell you?

THE WITNESS: Well, he had mixed feelings about the individuals and their potential.

MR. LIMAN: Did he ever write a report to you?

THE WITNESS: He wrote a memo at one time, and I don't know where that memo is. Maybe you have it.

MR. KERR: Do you have any objection to my showing this to the witness to refresh his recollection? He may have his recollection refreshed.

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BY MR. KERR: (Resuming)

Q Mr. Allen, let me show you a memorandum dated the 7th of June, 1985, reference numbers in the Senate Select Committee files at N-7419 through N-7431. I'd like you to look at it and tell me first if you've ever seen it before. But beyond that I'd like you to focus on the setting forth of a DEA operation that begins on page two, and I'd like you to read that with care and then tell me whether or not it refreshes your recollection of knowledge that you would have had in 1985 of the operation being planned.

(Pause.)

A I don't know anything about that.

Q You don't know anything about it at all?

MR. LIMAN: Colonel North never told you about this?

THE WITNESS: In June of '85?

MR. LIMAN: At any time.

THE WITNESS: If he did, I do not recall it. It made no serious impact on my recollection.

MR. LIMAN: Isn't it the type of thing that if he told you, you would have remembered paying this kind of money to get the hostages back?

THE WITNESS: The only recollection I ever had related to the summer of 1986, where direct -- where private funds allegedly were to be paid directly to free one or more

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hostages, and that was the Ross Perot initiative. I don't recall that initiative in 1985.

MR. LIMAN: Did Mr. Clarridge tell you whether he thought it was a good idea for a private American citizen to pay ransom to get the hostages back?

THE WITNESS: You mean from a policy perspective, and you're talking about the 1986 issue?

MR. LIMAN: The Perot incident.

THE WITNESS: I think both of us had serious reservations about that initiative.

MR. LIMAN: Was it the United States Government's policy, as you understood it, not to pay money itself but to encourage private citizens to pay money to get hostages back?

THE WITNESS: There is such a thing called ransom insurance, sir, which corporations pay all the time -- Bechtel, you name it. We can't stop those kinds of private ransom initiatives.

MR. LIMAN: Was it the policy of the government to encourage the payment of ransom to get hostages back?

THE WITNESS: It is the policy of the government to discourage the payment of ransom and in fact, as part of the Vice President's Task Force [redacted]ing Terrorism ransom insurance was an issue of continuing study because we wished to discourage corporations from paying insurance premiums in order to protect themselves from kidnappings of

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their employees in certain field operations.

MR. LIMAN: When Mr. Clarridge told you about the Perot incident in 1986, did he say that this was a bad idea?

THE WITNESS: I don't recall that we specifically discussed the fact that this countervened U.S. policy as the fact that we seriously doubted the effectiveness of it and questioned the ability of the Ross Perot organization to operationally succeed in something like that.

MR. LIMAN: Did he explain to you why this was being discussed in the White House situation room?

THE WITNESS: No.

MR. LIMAN: Did he explain to you how the participants in that meeting knew of Mr. Perot's plan?

THE WITNESS: You misquoted what I stated. I stated that there was a meeting of the Operations Subgroup and that Colonel North only and to the best of my knowledge mentioned this to Mr. Clarridge, that he did not mention it to other members of the Operations Subgroup.

MR. LIMAN: Did he tell you how Colonel North knew of it?

THE WITNESS: No.

MR. LIMAN: Did he tell you that Colonel North was in touch with Mr. Perot?

THE WITNESS: That was my understanding from what Mr. Clarridge said.

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MR. LIMAN: Did you ever get in touch with Mr. Perot?

THE WITNESS: I have never met Mr. Perot and have never spoken to him.

MR. LIMAN: Or any of his representatives?

THE WITNESS: Or any of his representatives. That is a fact.

BY MR. KERR: (Resuming)

Q With regard to [redacted] they made a number of trips to Cyprus. What knowledge do you have of th[redacted]ses by the CIA?

A I have no knowledge.

Q No knowledge?

A No.

Q And similarly you have no knowledge of Colonel North's payment of those expenses out of funds that he had access to; is that correct?

A I have no knowledge of how the travel for those individuals was paid.

Q Did you know that they were making trips to Cyprus?

A I knew they were making trips to Europe and to Cyprus.

Q And you came by that knowledge how?

A I believe that [redacted] mentioned

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it. Colonel North may have mentioned it [redacted] may have mentioned it. I don't recall. And I did not track the activities of these individuals. They were what one might say basically a separate channel of the NSC and not one that concerned me. I was more concerned with collecting and coordinating intelligence on what Mr. Ghorbanifar was doing.

Q You would not have dealt with them wearing your narcotics hat either, I take it?

A Absolutely not.

Q Do you know a gentleman by the name of Ed Hickey at the White House?

A Yes.

Q How do you know Mr. Hickey?

A I first met Mr. Hickey in, I believe, 1981. I was working on a compartmented classified project for Mr. Carlucci and later Admiral Inman.

Q Is this the same project you were working on with Colonel North, or a different project?

A The same project.

Q And Mr. Hickey's relationship to Colonel North for that project was what? Were they working together on this project?

A Mr. Hickey was a very interested participant.

Q Was one working for the other or were they working side by side, so to speak?

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A Mr. Hickey was a very senior official who was director of the White House military office; certainly he was not working for Colonel Oliver L. North.

Q Sometimes I wonder about that.

A No, sir. I can assure you. You've got to know Ed Hickey.

Q Ed Hickey would not?

A He's one hell of a man, okay?

Q Fair enough. With regard to the [redacted] matters, do you recall having conversations with Mr. Hickey about them as it related to hostages in Lebanon?

A No. I talked to Mr. Hickey after I became the National Intelligence Officer for Counterterrorism about hostages in Lebanon briefly at a meeting at the White House. We used to have meetings prior to travel by the President overseas in which we'd do a threat assessment of potential terrorist threats against the President, and early in 1985, shortly after taking over as the National Intelligence Officer, Mr. Hickey chaired something called an Operations Planning Group, now defunct, which did this kind of assessment[redacted]

And I know that Mr. Hickey knew William Buckley and wanted to have assurances that the intelligence community and Central Intelligence Agency were doing their best to try to locate and free Mr. Buckley, and I just assured him that

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we were.

Q In that context, did [redacted] name come up?

A I don't think so. I really don't believe it did at all.

Q So you have no recollection of knowing through Mr. Hickey, for example, that [redacted] were engaged in an effort through be it ransom or bribery but money changing hands to free Mr. Buckley in 1985?

A Through Mr. Hickey I had no knowledge.

Q And, as I tried to understand you, you don't have that knowledge from any source whatsoever; is that correct?

A I have no specific knowledge of where [redacted] had a plan to offer ransom to the captors of the American hostages in Lebanon in any direct sense. All I know is the incident in 1984 where in the context of another meeting with Colonel North on another project he just incidentally told me that he was hopeful that he could free some hostages in Lebanon, that he had been meeting with [redacted] I believe his name is, of DEA.

Q Hickey never asked you, to the best of your recollection, to meet with [redacted] with regard to releasing the hostages in 1985?

A I'm certain he did not.

Q Do you know a CIA operative by the name of [redacted]

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A [redacted] Can you identify him further?

Q That's the best I can do for you. If you don't know, you don't know.

A Well, the name is very familiar. That may come back to me. If it does, I will so tell you.

Q With that frolic, let's return to September 1985.

A That was an interesting movement to the side.

Q Reverend Weir was released on the 15th of September, and on the 16th of September you have indicated that you met with Mr. Casey and had a discussion with him.

A I think I testified I met with him on the 16th.

Q I'm sorry. That's what I meant to say.

A Okay.

Q On the 16th of September, can you describe for me the meeting? Before you do, if [redacted] interview correctly, you said the only people who were at that meeting were yourself and Mr. Casey; is that correct?

A That is correct.

Q All right. Could you give me your best and fullest recollection of what transpired at that meeting between yourself and Mr. Casey?

A I recounted what had occurred over the weekend and that arrangements were being made to fly Reverend Weir to the United States [redacted]

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[redacted] that something was under way that I did not understand, and that Colonel North had urged that only Mr. Casey and Mr. McMahon be told and no one else be advised, that it was an initiative of extreme sensitivity.

Mr. Casey stated that he had had the opportunity to discuss the matter with Mr. McFarlane and stated that Mr. McFarlane indicated that this was a very sensitive initiative, that the Israelis were involved, and that it was very much a [redacted] type of thing. Mr. Casey said that he mistakenly thought that I had told him that this was to do with [redacted] Actually this is something being handled very directly by Mr. McFarlane himself.

Let me just interrupt you at that point.

A Yes, sir.

Q You had testified earlier that Casey, when you talked to him on the 13th of September, had indicated he thought it had to do with [redacted] Now you're saying that on the 16th he said no, that wasn't right. It's a McFarlane initiative. Were you left with the impression at that time that Casey had not been privy to McFarlane's involvement in these activities earlier on in the summer -- July-August?

A At the time it was my impression that Mr. Casey was unaware of this initiative and that he had not been previously told about it.

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Q Let me pursue that thought with you. Has there ever been an occasion since that time when either directly from Mr. Casey himself or by way of other information that's come to your attention you reached the conclusion or the surmise that Casey was aware of the, for lack of a better expression, Iran initiative at a time preceding September 13?

A Only in reading the chronology that's been put together where I believe Mr. Casey indicated that perhaps sometime in August he and Mr. McMahon had been apprised of a potential Iranian initiative. At the time that I discussed the matter with him on the 13th and the 16th of September 1985, he seemed at first completely at sea as to what the hell this was all about, and then on the 16th he seemed to have recovered a bit, and he stated I have discussed this with Mr. McFarlane and it is a very special initiative being handled out of the White House.

Q You had occasion to talk with Mr. Casey in the November-December period of time before his recent illness, did you not, about the testimony he was going to give on the Hill?

A I talked to him quite a bit.

Q During those conversations did it ever come to your attention or did you come to conclude from talking with him that in fact he had been [redacted] you guys like to say, of this operation than he had appeared in September

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when you talked to him in September of '85?

A More witting?

Q In the sense that he knew about it.

A That he knew about what was going on in the summer?

Q Yes, sir.

A [redacted] tastimony, [redacted] he had just returned to the United States from [redacted] he said at that time he thought that there had been a discussion in the August time frame [redacted] Iranian [redacted] the government of Israel. [redacted] just when he had that meeting with [redacted] and when Mr. Clarridge had asked him and I believe [redacted] briefed [redacted] first [redacted] initiative [redacted] was consistent right up to the time, and I guess the last time I saw him was on Friday before he was taken ill on the following Monday. I [redacted] was taken ill while I was overseas. But he was consistent in not showing, to me at least, any detailed knowledge prior to that phone call on the 13th of September. [redacted]

Q Focusing on that same period of time now, the last

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contacts that you had in October-November with Mr. Casey, did he in any of those conversations either state or suggest to you that he by that time was aware of a relationship between the Shaheen-Cyrus Hashemi contacts in June and July of 1985 and what ultimately became the Iran initiative in September of 1985?

A I'm sorry. You'll have to reread that.

Q I'll restate it. Did it come to your attention in speaking with Mr. Casey in October-November of last year, 1986, that he himself had concluded that the Cyrus Hashemi effort to set up a dialogue on hostages was connected to the McFarlane-Kimche Iran initiative that we now know was also taking place in that time? Did he ever connect those two up?

A I don't think he ever did. When we were reconstructing the chronology of the Iranian initiative and the Agency's participation in it, he recalled the Shaheen conversations and the fact that Shaheen and Cyrus Hashemi were connected, and I don't recall at that time -- he may have mentioned, I think he mentioned in fact Roy Furmark. But I don't think he ever quite put that initiative as directly linked to the initiative that is now known as the

[redacted]

relationship between the Hashemi initiative, Shaheen

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contacts, and the work McFarlane, Kimche and others were doing?

A Not specifically, because there was a proposal, I guess, by Hasheni that he could get the hostages released if certain arms were provided to Iran. I believe Shaheen was told, can't be arms; maybe we could give some medicines. The Director, I believe, said he tried to interest the Department of State in this and the whole thing just sort of faded away and Shaheen died of cancer.

Q You were contacted again by Colonel North on or about September 28, 1985, I believe from last time that we met. Could you relate for us what it was that Colonel North was seeking from you at that point?

A Yes. He believed that there would be a release of American hostages in the 3 to 5 October time frame, I believe. He asked for [redacted] He also -- I think he also indicated that Ascari was coming to the United States. But I didn't get any particulars on that until one Saturday afternoon and evening, that he was coming under a Greek alias passport, [redacted] he was being [redacted] by a man named Yaacov [redacted]

[redacted]

asking for [redacted] can you give me a fuller

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description of what that meant to you? I take it you already were doing the best you could [redacted]

A Well, Colonel North had an insatiable appetite for intelligence and he would frequently call and indicate to me that he was not satisfied with the results of our [redacted] efforts. [redacted]

Q Putting aside that type of intelligence gathering, did he ask you to undertake any other kind of gathering of intelligence as of September 28?

A No.

Q So it's basically [redacted] that you were focused on at that point?

A That's correct.

Q Now with regard to Ascari coming to the United States, do you have a clear recollection of him raising that possibility on the 28th of September or did that in fact come later?

A I don't have a specific recollection, but I

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believe he indicated that Ascari was coming to the United States.

Q Let's hold that in abeyance a moment, but we take you back to that letter we looked at which I think we still have, the October 7 letter. In that letter in paragraph 3 on the second page you talk about being contacted by North on September 28 and you talk about William Buckley in that context. Then there is a reference a little further down to the White House talking to you on October 5, which I think is Colonel North again.

But what I'd like you to do is to take a moment, look at what you were writing in October of 1985, and let's see if we can focus in your recollection on the events of that September 28 through October 8 period.

(Pause.)

First, Mr. Allen, I assume one could correctly conclude that your recollection of events in terms of their sequence and precision with regard to which they happened probably would have been better in October of 1986 than it is -- 1985 than it is today.

A That's correct.

Q The sequence of events set forth in paragraph 3 of Allen Exhibit 7, as I understand it, is that you get a call on September 28 asking for [redacted] North tells you that there is continuing interest in Buckley, I take it,

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at that point; is that right? Is that what's going on?

A (Nods in the affirmative.)

Q Did you tell Colonel North, Colonel, I think Buckley's dead?

A Sir, I told Colonel North on the [redacted] of August 1985 that it was my belief that Bill Buckley was dead [redacted] I had concluded almost certainly that William Buckley had died.

Mr. Casey agreed with me. I remember riding in the car [redacted] and discussing it in some detail with Mr. Casey. I rode down to the

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Intelligence Community headquarters and also rode back with Mr. Casey, and he agreed with me that William Buckley was probably dead.

Q So that I'm clear --

A And Colonel North was told of this.

Q That was my next question. Colonel North was in fact told by you at the time this material was being generated.

A Yes, sir. I told him in detail that we had no conclusive proof but it was my best judgment as a long-term intelligence officer that William Buckley had died.

Q Okay. Did Colonel North express to you any basis for his apparent belief or perhaps hope that Buckley was still alive, or am I misunderstanding what Colonel North was doing. Was it your impression Colonel North still thought Buckley was alive?

A It was my impression that he had a hope. He had known William Buckley when he had first arrived on the National Security Council staff, because William Buckley was working on counterterrorism and interacted frequently with Colonel North. I think he just had a slim hope

[redacted]

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[redacted]

A [redacted]

Q I want to stop here for a moment, and help me track this again. You've told me that essentially what you're finding out about this operation [redacted] and conclusions you draw from it. It's not as if North sits down and briefs you on the program; is that right?

A That's correct. He indicated very strongly that this had to be compartmented and I had to live with just enough information on which to do [redacted] I've worked in that world all my life and that was satisfactory.

Q I haven't, and it seems a little strange, so bear with me as I go through it once more.

A It's very normal.

[redacted]

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[redacted]

Q Now as of that time did you know [redacted]

A I suspected Colonel North was involved, and I wasn't certain who else might be involved.

Q But you yourself didn't ask Colonel North that question; is that right? [redacted]

A I think Colonel North indicated, either directly or indirectly -- and it was most of the time that he indicated he was indirectly, through intermediaries, providing what should be told this Iranian intermediary in Western Europe.

Q The mechanics of that communication with the Iranian intermediary, did you know what the mechanics were at that time?

A He did not tell me at that time.

Q But did you yourself know in any event, either from reconstruction or from other sources?

A You mean later on?

Q Really at this time.

A At this time I suspected -- and we're at the 28th

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of September -- at this time it wasn't clear to me. I suspected Israelis were involved based on what the Director had told me [redacted] I suspected Israeli intermediaries, not necessarily in the government, maybe in the private sector -- I wasn't certain - and other Americans. I suspected there were other Americans involved, but I did not know their names.

Q Now let me just pursue that in that memorandum a bit further. The memorandum suggests to me in paragraph 3 that as a result of what I think you are characterizing as a death threat to Buckley on the third or fourth of October, a series of meetings, conferences, something of that kind, had come on between NSC folks, CIA folks and [redacted]

I'd like to kind of dwell for a moment on that portion of your memorandum [redacted] that recollection of what was actually [redacted] Can you tell me [redacted]

A On 2 [redacted]

Q Well, this letter is actually dated 7 October and you are giving a recap of what had just happened.

A [redacted] on that [redacted] at the time I wrote this memorandum. And that was when I [redacted] that Ascari was coming to this country [redacted] and [redacted] and other [redacted] Mr. Nimrodi -- it seemed to me that the White House was either directly

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involved with the government of Israel or indirectly encouraging Israeli intermediaries to deal with Iranian arms dealers like Ascari, who had this excellent contact in the office of the Prime Minister.

[redacted]

Q Let me just focus in on a sentence or two here. You say that the announcement by the Islamic Jihad on the third of October that it planned to execute William Buckley created a new dimension in the continuing contacts between blank and blank. The [redacted] noted through intermediaries, indicated to [redacted] it was important that he come to the U.S. in order to [redacted] whether potential still exists to secure the release of [redacted] Buckley, [redacted] had not been executed [redacted] by Colonel North, that [redacted] transpired as of 7 October?

A Well, let's first go to the Islamic Jihad. On October 4 it claimed that it had -- it would execute William Buckley and that his body would be presented as revenge for the Israeli attack on PLO headquarters in Tunis on 1 October. So that information was public knowledge.

This was what I was told by Colonel North, was

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that Ascari was going to come to the United States because we were at a crossroads with the possible death of Buckley -- and I believed strongly he was dead at the time -- as to whether there was any potential to continue this effort. That's all I knew.

Q Bear with me. I got the impression from reading that sentence that you had knowledge that the White House had invited Ascari to come to the United States in this period of time.

A Well, that's my understanding. At the time it was my understanding that the White House had indicated through whatever links they had to Ascari that [redacted] asked to come to the United States.

Q As to those links, however, you still did not know what the linkages were between the White House and Ascari; is that correct?

A That's correct.

Q So you didn't know whether it was Michael Ledeen or the Israelis or some other person out there that worked as the intermediary?

A That's correct. I did not know.

Q [redacted] had you reached any conclusions as of the time of this letter, in October 1985, as to whether [redacted] had played any role in kidnapping

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Buckley?

A Based on the intelligence that I had seen up until that time and based on what little we knew or didn't know about [redacted] there was no evidence that I saw that would suggest that [redacted] was involved in his kidnapping. We had strong evidence that the kidnapping of William Buckley, Jeremy Levin and others was [redacted] to secure the leverage against the United States.

[redacted] wanted the United States to influence Kuwait to release some of the Da'Wa prisoners.

Q Did it ever come to your attention, Mr. Allen, that Mr. Ghorbanifar had told the Central Intelligence Agency at or about the time of Mr. Buckley's kidnapping that [redacted] was responsible for that kidnapping?

A No, it did not.

Q You don't recall seeing that information in Ghorbanifar's 201 file?

A I don't recall seeing it.

Q Just to nail it down, Ghorbanifar himself never alluded to that aspect of [redacted] life in relationship to Mr. Buckley [redacted] you had your many conversations with him; is that right?

A He never stated that [redacted] involved in either the abduction or the death of William Buckley.

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THE WITNESS: Could I take a five-minute break?

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MR. KERR: A break sounds like a good idea.

(Whereupon a recess was taken.)

MR. KERR: (Resuming)

We'll be back for our October 7 [illegible] and I have you a few more questions about it.

A Okay.

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Q You say on the first page of the October 7 memo, Exhibit 7, that the release of Reverend Benjamin Weir was effected by the White House, working through intermediaries who were in direct contact with blank, who in turn was dealing directly with blank. Those conclusions, that statement in your memorandum, is that a representation made to you by North that you were passing on [redacted]

A That was based on my intelligence assessment [redacted] It all seemed to flow together that the White House initiative, working with [redacted] unclear to me, [redacted]

Q So I understand, you felt you could reach the conclusion that there was indeed a cause and effect relationship between the initiative and the release of Reverend Weir?

A Absolutely, and I suspected that there had been a transfer of arms to Iran [redacted]

Q Now Weir didn't have any knowledge about who had actually caused his release, I take it [redacted]

A No, but the timing. He was told he was being

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released, I believe, on the evening of 14 September. He was asked to take letters from the other hostages to their families, and he was taken to the British Embassy in West Beirut and dumped out. It all flowed together that this movement of what appeared to be arms into Iran on the weekend of 14-15 September had a direct correlation with his release in West Beirut.

Q Okay. Now let's go to October 5, which is what really inspires this letter. You get a call from Colonel North on Saturday, October 5.

A Well, I got a telephone call at the office on Saturday the 5[redacted] He [redacted] and asked me to come to the office. Colonel North is not always prompt. I think I arrived in the afternoon and I think he did not arrive until about 1900 hours that evening.

Q For us civilians, that would be more like 7:00?

A Yes. And at that time he stated that he had information he wanted to convey to me about the fact that Ascari was coming, traveling on a Greek passport and he was known by an alias as Kralis. He also was being accompanied by Yaacov Nimrodi [redacted]

He stated that Nimrodi was an Israeli who had worked for the Mossad [redacted]

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[redacted]

I said, well, when is this chap coming, and I believe he said he was coming on the 7th, and this was on the 5th,

[redacted]

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[redacted]

Q Let me focus in to that. At the time you're dealing with Mr. McMahon [redacted] you know the person that we now know to be Ghorbanifar as Ascari or using an alias name of Nick Kralis, correct?

A Ascari and Nicholas Kralis, which is all I knew at the time.

Q You did not know the actual identity of this person?

A I did not, and neither did Mr. McMahon.

[redacted]

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[redacted] What efforts, if any, did you make to determine the real identity of Mr. Ascari, alias Kralis, aliases for Ghorbanifar at the time he came in?

A I made no efforts.

Q Why is that?

A I was not asked to at this stage, based on discussions with the Director, this was a White House initiative. This was a White House-directed activity. We were not asked at this stage to provide [redacted] any type of additional efforts to identify him.

[redacted]

Q Was it your impression as of October 7-8 that Colonel North knew the identity of Mr. Ascari-Kralis?

A It was my impression that he did not know, but he did not tell me that this individual was known by Ghorbanifar.

Q [redacted] what I'm trying to find out. I'm just curious why it was that you all didn't want to know who it was [redacted]

A It was not our operation.

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Q So essentially you did what Colonel North asked you to do, but you didn't question why or do any more; is that right?

A It was not our operation [redacted]

Q Did you have occasion to talk to Colonel North about the contact he had on the 7th and 8th of October with the folks [redacted]

A I believe that after the visit he indicated to me that he had had a discussion with Ascari and told him that he expected this activity to result in the release of Americans in Lebanon.

Q Let's focus specifically on that. Do yc recall him telling you that he had met at his office in the Old Executive Office Building with Mr. Ascari, Mr. Schwimmer, Mr. Nimrodi, Mr. Ledeen?

A No, he did not mention any of those individuals. He did say that he had met with Mr. Ascari [redacted] this meeting occurred, I believe, in front [redacted] hotel, perhaps the Four Seasons, where Mr. Ascari was staying.

Q So you have no knowledge, even though today, of

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what transpired at a meeting in Colonel North's office with Ledeen, North, Nimrodi, Schwimmer and Ghorbanifar?

A Only what I've read in chronologies and information that's been developed since the initiative was exposed.

Q And when Colonel North told you that he had had a discussion with Ascari, did you conclude that he knew --

A Let me correct the record. When Mr. Ledeen talked to me on 3 December 1985, he indicated that the individual by the name of Ascari was Mr. Manucher Ghorbanifar, that Mr. Ghorbanifar had met with some individuals at the White House, including Colonel North in the early October time frame, and I don't recall who all he said was at the meeting.

Q When Colonel North told you in October that he had had a conversation with Ascari, this would have been within a day or two of Ascari coming in on the 7th?

A I think shortly afterwards.

Q Where did that conversation take place between you and Colonel North?

A The Old Brogue Irish Inn in Great Falls.

Q And what was the occasion that caused you and Colonel North to be together at that watering hole?

A Beer. We stopped just for a social drink that evening.

Q Was your relationship with Colonel North one of

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friendship? I mean, did you socialize with him at all at that point in time?

A I had socialized with Colonel North prior to that time, when I was in OSD. This was not anything unusual.

Q I'm not suggesting it was, but he was someone that you dealt with outside of the office as well, a fellow you'd have a beer with from time to time?

A Well, yes. We tended to focus on problems at hand.

Q Couldn't leave it at the office? I understand.

Was there anyone else present when you had this discussion with Colonel North?

A I don't think so.

Q Did you make any memorandum for the record or any other documentation of the conversations you had with him?

A No.

Q Can you give me your best and fullest recollection of what the Colonel told you at that meeting?

A He stated that he had made some very strong remarks to Ascari about the need for success in obtaining the release of the American hostages. I don't recall the exact language, but he was adamant that this had to go forward to quick fruition, that this individual keep his commitments and not deceive in any way the U.S. Government in this effort.

Q Did he outline to you what his program was,

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looking toward the future?

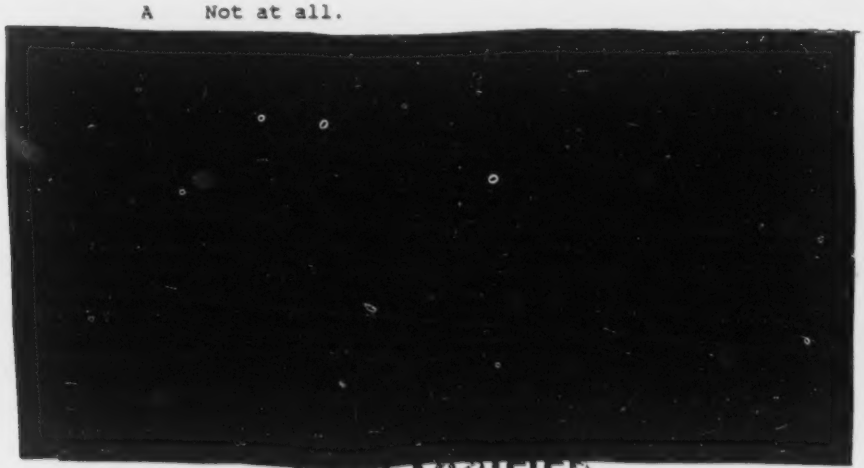
A No, I don't think so. We talked about a number of other issues, including the old program that we had at OSD.

Q Was it your impression at the time that you had this discussion with Colonel North that Colonel North in fact knew the identity of the man that he identified to you as Ascari?

A He didn't state that he knew him other than as Ascari. He said that this individual was an Iranian who was an arms dealer and as a result he had some doubts as to his trustfulness and this was the reason that he had spoken in rather strong terms to Ascari.

Q He did not ask you at that point to develop further background information on who this person was?

A Not at all.



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[redacted]

Q So that I'm clear on what you at least knew to be the status of knowledge in the Operations Directorate, were you keeping Clair George apprised of the work that you were doing with Colonel North as of October 1985?

A I don't know that I discussed with him all the details, but in general he knew [redacted]

Q Did he know of [redacted]

A I can't recall and I don't know.

Q Similarly, you would not know whether or not he knew that Ascari was in the United States on October 7 and 8, 1985?

A I suspect -- I believe he did, because [redacted] being made available to the Deputy Director and to the Director, and I believe the Director tried to keep the Deputy Director of Operations informed.

Q You believe that based on what?

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A Based on the fact that we were only getting one copy of these documents, but I believe that at least some [redacted] were being made available to Mr. George.

Q Apart from whatever conclusions he could have drawn [redacted] do you have knowledge of any other elaboration of what was going on being given to Clair George?

A No, I don't know.

Q Similarly [redacted] and his deputy [redacted]

A I don't know what they were being told at the time. I left that to Mr. Casey and Mr. McMahon to decide what to tel[redacted] and Mr. George. I felt that that was their role, not mine.

Q I understand. And were you a party to any meeting that took place where folks from the Operations Directorate would [redacted] CIA was doing on this project?

A In the October time frame 1985?

Q Correct.

A No. I didn't attend any meetings that I can recall.

[redacted]

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[redacted]

Q Just so I can keep your role in perspective, you still as of October 1985 are principally involved [redacted] for Colonel North?

A Well [redacted] I was aware in October, during the Achille Lauro event, Director Casey spoke about the initiative. We were getting ready for a National Security Planning Group meeting on the Achille Lauro with the President and Mr. Casey brought up the initiative and stated that he was convinced that Mr. Schwimmer was involved in the activity. He did that on, I believe, about the 11th of October.

Q Let's focus on that aspect. I think maybe the best way to lead into it is to talk a little bit about the Achille Lauro incident. That occurred about the same time Ghorbanifar came into the United States. That would have been October 7, 1985; correct?

A That is correct.

Q You were involved in the CIA's response to the Achille Lauro?

A Very heavily.

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Q And Colonel North was also involved, correct?

A That's correct.

Q You also would have gotten to work with or at least to meet Michael Ledeen at that time; isn't that right?

A I did not meet Mike Ledeen. I talked to him on the secure telephone several times during the week of the Achille Lauro.

Q Why was it that you were in contact with Mr. Ledeen at that time?

A Well, when the Achille Lauro was first hijacked by the Palestine Liberation Front terrorists I called Colonel North immediately and Mr. Ledeen answered the telephone, and I told him to immediately page Colonel North, who was at the Department of State, which he did. Mr. Ledeen asked me to continue to transmit information as it arrived until Colonel North returned, and I did that.

And I guess I talked to Mr. Ledeen a few times during that week, particularly from Wednesday -- Thursday, about noon-on, when it was clear that we had a golden opportunity to intercept the four hijackers along with Abul Abbas.

Q Was Mr. Ledeen introduced to you in any fashion? You get a strange voice on the other end of the telephone?

A I had to correct the record because I had had lunch with Mr. Ledeen in August 1985, I believe, at the

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request of Colonel North. He said Mr. Ledeen was a consultant on counterterrorism and wanted to meet the National Intelligence Office, so we had a lunch at Jean Pierre. So I had met him once and we had talked mainly about his background, living in Italy for eight or ten years, the Papal assassination attempt. It was a very generic discussion on international terrorism trends.

Q Was there anyone else at that luncheon with you and Mr. Ledeen?

A No.

Q Was there any discussion at that luncheon of Mr. Ledeen's travels to Israel?

A No.

Q And no mention of his relationship, new budding friendship with Manucher Ghorbanifar?

A None whatsoever. So when Mr. Ledeen answered the telephone on 7 October I at least could put a face with the voice.

Q And it did not come to your attention in this series of telephone calls that take place 7th, 8th, 9th, 10th, whatever, of October, that Mr. Ledeen was at that very time meeting with, dining with Manucher Ghorbanifar?

A Not at all. I was focused totally on the Achille Lauro that week. I'm afraid Mr. Ghorbanifar was very much a back-burning issue at that stage.

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Q Did it come to your attention [redacted] Mr. Ghorbanifar that he met with and had dinner with Roy Furmark on 8 October?

A No, I did not know that.

Q Do you have knowledge of any contact that Mr. Furmark would have had with Mr. Casey at that time?

A No, I have no knowledge that he was in contact with Mr. Casey at that time.

Q Now in terms of actually having another face-to-face session with Mr. Ledeen, that would not have occurred in the week of October 7; is that right?

A That did not occur.

Q When next would you have had such a meeting with Mr. Ledeen?

A I believe it was November 1985. He called on Mr. Clarridge and me at the Agency -- the specific date probably is available somewhere in the records of visitors to the Agency -- where he brought in some information that he stated related to Iranian terrorist networks in Western Europe. He did not name the source of that information. In fact, he refused to do it, and he brought -- I think he brought a photograph or so with him at the time.

Q During this period of time, as we move into later October, do you recall preparing a memorandum for Colonel

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North on Near-Term Middle Eastern Terrorist Threat?

A I probably prepared that particular report more than once. I don't recall the specific paper.

Q Let me show you a memorandum addressed to Colonel North dated October 29, 1985, which appears to be by you, Mr. Allen, which we will make our next exhibit.

(The document referred to was marked Allen Exhibit Number 9 for identification.)

(Pause.)

A This sounds pretty good to me. I recall the threat data at the time [redacted] So this is just a regular assessment.

Q That was my question. This is addressed to Colonel North. With regard to this particular memorandum, why were you sending Colonel North this kind of material?

A Because he was the coordinator within the National Security Council staff for terrorism and these were some of the thoughts that I had of the current threat and some of the possible countermeasures that might be taken to deal with the threat more effectively.

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Q Colonel North's responsibilities with regard to countering the terrorist threat, he had held those responsibilities throughout '85; is that correct?

A Well, he took over from Major Christopher Shoemaker in August 1981 as having responsibility for counterterrorism on the National Security Council staff.

Q I want to focus on '85, though. At that time was he the principal coordinator of counterterrorism activity for the NSC?

A He was the principal coordinator of NSC-related counterterrorist activity.

Q Had he given responsibility over that area to any subordinate of his? Was there someone else that sort of carried on day-to-day responsibility?

A He didn't have any staff members at that time who worked for him.

Q You would have prepared reports such as this how frequently -- on a regular interval?

A Well, I do a monthly threat assessment. That's what I was going to do Friday morning, hold my warning session on the current threats to Americans and American facilities worldwide. I do this on a regular basis. I normally prepare that for the Director and the Deputy Director on a monthly basis. I sent this, evidently, to Colonel North. Perhaps I wrote it at his request or perhaps

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I had written a paper and I decided to send the paper to him. I don't recall whether he asked for it or whether I just sent it to him because I thought it would be of interest.

Q That's what I's trying to pursue.

A I suspect I felt that this was something of interest to him at the time.

Q I have not encountered periodic reports of that kind addressed to Colonel North, and I'm just curious whether you would have done this on a monthly or quarterly basis for Colonel North or not.

A No, I didn't do it on a monthly [redacted] actually requested. I suspect he did; otherwise, I wouldn't have sent it to him. [redacted] wrote.

Q Now let's drop back again. You said that Director Casey had -- and I hope I'm not mischaracterizing -- some kind of a meeting or session or discussion in the context of the Achille Lauro in which you talked about the Iran initiative.

A We were walking to his office, where we were going to have lunch and then go to the NSPG meeting chaired by the President, and we were discussing the initiative and the fact

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that the individual I know as Ghorbanifar was in Washington about that time, or had been in Washington that week, that he was there with an Israeli named Nimrodi. I don't believe Mr. Casey had heard of him.

Mr. Casey stated that he felt that Mr. Schwimmer was involved and that Mr. Schwimmer was a man who could get things done, but Mr. Casey specifically indicated he had some doubts about the total reliability of Schwimmer. I recall walking to his office and Mr. Casey making these statements.

Q Was there anyone else present when you all took this walk?

A No.

Q And trying to place it by date --

A Around 10 or 11. I can verify that, but it was around the 10th or 11th of October, the date of the NSPG that was held on the Achille Lauro.

Q With regard to Director Casey's knowledge of Mr. Schwimmer, did he indicate to you the basis for his knowledge of Mr. Schwimmer?

A No, he did not.

Q The source of his knowledge?

A No.

Q As of the time you had this conversation with Mr. Casey, did you know of Mr. Schwimmer or his involvement in this matter?

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A I had heard of Mr. Schwimmer, who was involved with the Israeli aircraft industry, but I knew nothing about Mr. Schwimmer or his background or his credentials.

Q And specifically with regard to the context of the Iranian intermediary you had not encountered Mr. Schwimmer's name before Mr. Casey raised it?

A No, I had not.

Q Did you explore with Mr. Casey who he would have been discussing these matters with?

A No, I did not.

Q Was it your impression that he was having conversations of his own with Colonel North about this matter?

A I don't know. I can't [redacted] in Director Casey's mind at the time.

Q [redacted] trying to put you in his mind, but if he indicated something to you that would have told you --

A He didn't say that he had talked to Colonel North about this issue. You'll find other memoranda from me to Colonel North assessing threats, so it's not unusual to send something to the National Security Council staff.

Q It sometimes is unusual for us to actually receive those materials, but this is the only one I've gotten on that point.

A Actually, it's quite a good assessment.

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Q A dynamite assessment. I'm glad we had it.

The Tower Commission report indicates that Colonel North, on 12 November, was in London and met with, separately, Mr. Ghorbanifar and Terry Waite. Did you have knowledge in early November that Colonel North was making that kind of a trek to London?

A I believe I knew he was in London, but I had no knowledge of what transpired nor, to the best of my knowledge, did he give any details.

Q Did there ever come a time when Colonel North indicated to you what had taken place at his London meeting on or about November 12 with Mr. Ghorbanifar?

A I don't recall that he ever talked explicitly about a meeting on 12 November in London.

Q Did he ever tell you about a meeting in early November that he had with Colonel North, whether or not it was on the 12th?

A [redacted]id he

Q Did Colonel North tell you about a meeting he'd had with Ghorbanifar in London in early November?

A I don't recall. It's possible he did. I was aware when he traveled on this initiative in most cases from an intelligence tasking point of view.

Q Do you have any knowledge of anyone who traveled with Colonel North on this trip?

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A No, I don't.

Q Do you have any knowledge of a recording device that Colonel North would have taken with him, [redacted] to make a record of what transpired in the room [redacted]

A Not at that time.

Q When did the existence of such a device in the possession of Colonel North come to your attention?

A When I met with Colonel North along with [redacted] Mr. Koch, Major General Secord, in Room 370 at the Executive Office Building on 29 January 1986.

Q Prior to January of '86, though, you were not aware of the fact that Colonel North made use of such recording devices?

A I can't recall that I was ever aware of that prior to 29 January 1986.

Q November 14, 1985, according to the Tower Commission report, Mr. McFarlane met with the Director, Mr. Casey, and the Deputy Director, Mr. McMahon, and told them during the course of that meeting on the 14th that the Israelis were going to be giving arms to Iran. Were you made aware of that session between Casey, McMahon, and McFarlane?

A No, not that meeting. I was not aware of it. It wasn't until the 16th, I believe, of December that I had the opportunity to discuss the initiative at some length with Mr.

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McMahon.

Q Again focusing your attention on the late November -- excuse me, late October-first couple of weeks of November period of time, did it come to your attention during that period of time that Mr. Ghorbanifar, under the guise of Kralis, Ascari or any other name had returned to the United States?

A In the November time frame?

Q Late October-early November.

A No, it had not.

Q Specifically you were not asked [redacted]

A Not to the best of my knowledge. I was not asked [redacted]

[redacted] If I am recollecting [redacted] interview correctly, you said about November [redacted] a call from Colonel North in which Colonel North told you that he was going to be going to Geneva sometime in the not too distant future.

A No, sir.

Q I am misrecollecting.

A I did not say that he was going to Geneva. He stated an important meeting was occurring in Geneva [redacted]

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[redacted] that he felt a solution to the American hostage problem in Lebanon would shortly be at hand [redacted]

Q Let's back up on that. First, when do you recall that conversation taking place?

A Around 22 November.

Q Circumstances. Was it a telephone conversation?

A I was in the [redacted] of CIA when he contacted CIA and asked that I call him immediately. I did so. It was in the evening, as he is wont to call, and I told him that [redacted] I would work very assiduously [redacted]

Q Now, to help me try to fix this in time, you will recollect that on November 22 and 23 activity was under way with regard to ultimately the CIA proprietary delivering goods.

A I was not aware of that until the 23rd.

Q But to help you fix on when this conversation took place, would it be your recollection this was the night before?

A It was either the night before or Thursday evening, which would be the 21st. It could have been

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Thursday evening the 21st.

Q The conversation would have been via the secure telephone, correct?

A Always.

Q Did you make any notes, memoranda, anything on this telephone conversation with North?

A Well, the Independent Counsel has all my handwritten notes, and it is conceivable that I made some notations, but until I can see my notes I cannot verify that.

Q Do you recall going the next step of putting your notes into a more polished format?

A No.

[redacted]

Q I'm with you. Now let's take it step by step, though. Colonel North told you that it was going to take place at a particular point in time, the meeting?

A Well, on the weekend in Geneva.

Q So that would be the weekend of the 23rd and 24th?

A Something like that.

Q And he said it was going to take place in Geneva, Switzerland?

A That's correct.

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Q Did he tell you who he anticipated being at the meeting?

A No. He stated that Ghorbanifar -- not Ghorbanifar. He stated that Ascari would be there, that there would be some intermediaries involved, and I believe he indicated [redacted] -- that [redacted] would be coming out. [redacted] it's hard for me to recall the sequence and the specifics.

[redacted]

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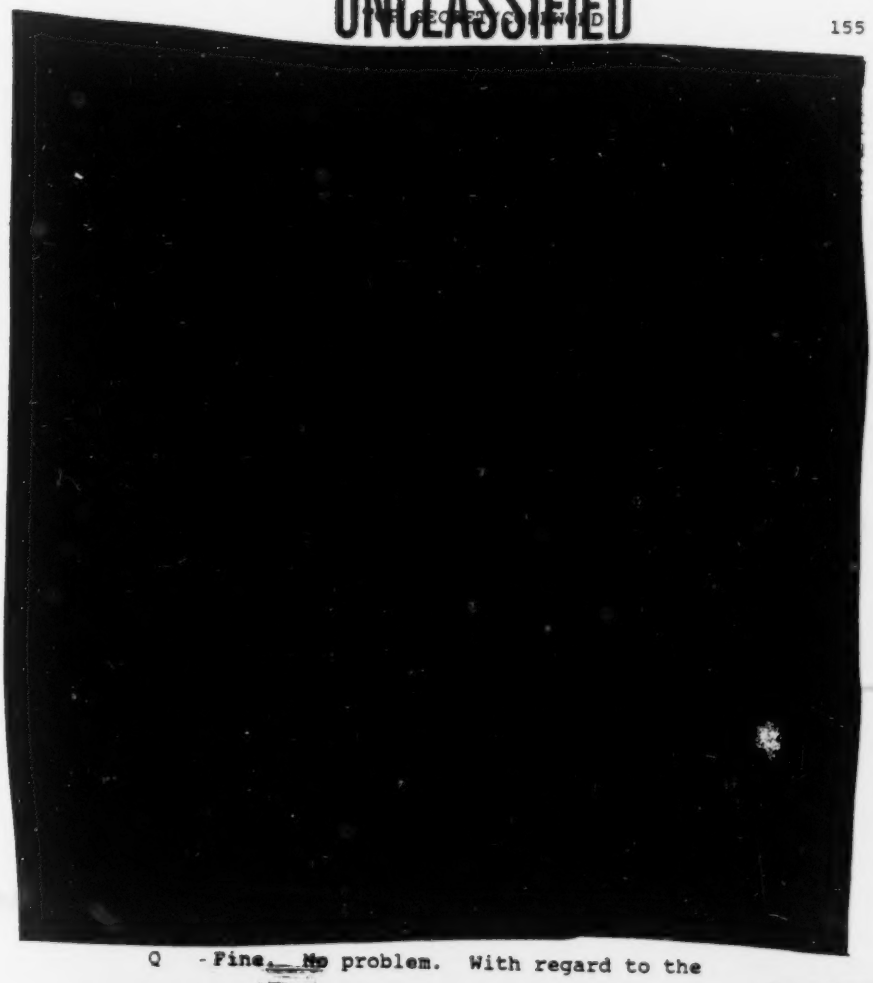

Q - Fine. No problem. With regard to the conversation with North on the 22nd, it was restricted

[redacted]

or were there other matters discussed with

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North at that time?

A Well, he stated that he felt that if the meeting went successfully that there would be a sequential release of American hostages and possibly the return of William Buckley's body. He did not delineate just what type of transaction would produce the recovery of the hostages and Mr. Buckley's body.

Q Bear with me. When you said he didn't delineate it, did he give you a broad hint of what was coming down or not?

A No.

Q So he said he thought it was going to happen but he didn't tell you the basis for that thought?

A That's correct.

Q Did he ask you to play any role in accomplishing something in the same time period as this meeting was taking place in Geneva to facilitate the release of the hostages?

A No role at all of an operational nature.

Q Specifically as of the time this telephone call took place you were asked to do nothing with regard to arranging for airplanes or getting clearances or setting up anything for him in the Agency?

A No other activity whatsoever.

Q And you did not know at the time of this telephone call that there was going to be a need for airplanes or

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schlepping goods from one part of the world to another?

A I did not know that.

Q Now let's move to November 23, 1985. You did become aware of November 23, 1985, of an airplane or airline arrangement relating to the hostages; isn't that correct?

A I don't think I would phrase it that way.

Q I hope you wouldn't. Phrase it better than that.

A I was called at home and Colonel North wanted to know why I was at home. He wanted me to show [redacted] materials on this Iranian initiative to Mr. Clarridge; who was Chief of the European Division, and said why don't you go to work. So I did that, and I went to work and I went up and obtained my file [redacted] and took them down to Mr. Clarridge, who was there in his office, and most Directorate of Operations Chiefs are there on a Saturday morning.

And so it wasn't unusual to find him there. He read them. I said I'd been asked to do this by Colonel North because Colonel North wanted you to understand that this was a very serious initiative under way by the White House.

And Mr. Clarridge leafed through them -- by that time there were quite a number [redacted] -- and indicated that yes, he believed this was a serious initiative. And he told me that Colonel North had requested some assistance in obtaining a name of a reliable charter airline. He had been trying to do this. I believe also he indicated he was going

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to try to obtain some form of clearance for aircraft to land in a certain country that fell within his divisional responsibilities.

And that country, I believe, was [redacted]

Q Let me sort of walk you through this step by step. You would have gotten a telephone call from Colonel North on the morning of Saturday, November 23.

A That's correct.

Q Approximately what time?

A Well, I think he called -- I was going to go to a football game with my family, and he called about 8:30 or 9:00 and said that that was out of the question, I had to come to the office and help him because he wanted to make sure Mr. Clarridge was aware that this was a serious initiative.

And when I arrived at the office I called Colonel North on secure, I believe, and he said in [redacted] serious effort that he was having some problems, that things had to be accelerated and for me to go down and see Mr. Clarridge, which I did.

And then Mr. Clarridge explained that Colonel North was looking for a reliable charter airline to move some equipment to Iran.

Q Mr. Clarridge had not been privy, to your knowledge, to [redacted] prior to this time; is that

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correct?

A To the best of my knowledge he'd never seen them and indicated so when I showed them to him. It came as a surprise to him that [redacted] existed.

Q I'm having a little trouble following why it was that you would have shown [redacted] to Clarridge to help establish North's bona fides. I'm having trouble with that.

A Not North's bona fides but the bona fides of the initiative, which was clearly directed at getting hostages out of Lebanon, also clearly directed at Iran.

Q Do you recall any discussion with Mr. Clarridge or anyone else or Mr. Clarridge talking either directly or indirectly to Mr. McMahon about whether or not he ought to proceed with this matter?

A I don't recall that at all.

Q Do you recall talking to Mr. Juchniewicz about that aspect of things on the morning of the 23rd?

A No, I did not talk to Mr. Juchniewicz.

Q With regard to Mr. Clarridge, he was there at the time you arrived, right?

A He was in his office when I came down from the seventh floor to the fifth floor, where he is located.

Q And that would have been approximately --

A Fourth floor.

Q That would have been approximately what time of

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day?

A I imagine I arrived there about 9:30, 10:00.

Q So you arrived at his office about 9:30, 10:00?

A I arrived probably in my office about 9:30. I picked up my mail and I think I had another [redacted] I looked at that and I included that in the reading material for Mr. Clarridge.

Q Then, when you walked down to see Mr. Clarridge, Mr. Clarridge indicated to you that he'd been there for some time, had he? [redacted]

A He didn't say how long he'd been there.

Q Did you know how long he'd been there?

A No.

Q Do you know today how long he'd been there?

A No.

Q In terms of what Mr. Clarridge told you he was about, what did he tell you?

A He stated that he was working on obtaining a charter, trying to help Colonel North obtain a charter airline, and that Colonel North needed the name of a reliable airline that could be passed to an intermediary working this problem [redacted] Mr. Clarridge didn't seem to know much about the initiative except that he said Colonel North was en route to his office and that he would have more details.

Meanwhile, I believe he was working on the problem

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and the idea had occurred that they might use the CIA proprietary, might just use this as a normal charter activity.

Q That idea was abroad as of the time that you met with Clarridge that morning?

A I would say it certainly had occurred to Mr. Clarridge.

Q Was there anyone else present when you had this conversation with Mr. Clarridge?

A I don't think so. Later in the day Colonel North arrived and [redacted], I believe, who is head of [redacted] arrived.

Q Now you were present when Colonel North arrived?

A I think I went back to my office and then later I returned and Colonel North had arrived.

Q At what point was a representation made to you about the cargo to be carried by this [redacted] aircraft it might be?

A I can't recall specifically, but Colonel North stated emphatically that this was oil-drilling equipment that was being sent into Iran. It [redacted] to the meetings occurring in Geneva. I believe in my presence and Mr. Clarridge he made a call to the Deputy National Security Advisor, at the time Admiral Poindexter, to get Admiral Poindexter's endorsement to proceed with this activity.

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Q I'm sorry -- Admiral Poindexter or Mr. McFarlane?

A Well, I think he may have called both. He made a number of telephone calls while I was there.

Q Was Colonel North actually present and were you present when Colonel North actually said that this was oil-drilling equipment?

A Yes, I heard him say that.

Q You heard him say that?

A Yes. I've testified to that and I'll testify again. I heard him say it.

Q Now during this period of time, up to the time you had the meeting with Colonel North, were you aware of or were you shown any of the cable traffic that was being generated to and from Mr. Clarridge?

To and from Mr. Clarridge?

Q Um-hum.

A I knew that cables were going out [redacted] and also to, I believe [redacted] because I think Mr. Clarridge felt if an agency proprietary was used it would have to have some clearances. I don't recall the specific. I don't think I read any of the traffic specifically at the time.

[redacted] over the availability [redacted] issue of appropriate cover for this airline so it would look

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like a normal charter activity. All that was required was for, I believe, the manager of the airline, the CIA proprietary, to be put in contact with Mr. Copp [redacted]

Q With regard to time differences [redacted] in [redacted] translates to roughly [redacted] in the United States? Does that sound about right?

A Sounds about right.

Q So a conversation that took place in [redacted] at about [redacted] on the 23rd of November would translate to about [redacted] on the 23rd in the United States; isn't that right?

A No, that's wrong. If it were [redacted]--

Q [redacted] in [redacted]

A It would be about [redacted] here, about [redacted] difference between [redacted] and the United States.

Q All right. Did it come to your attention that there was a cable from [redacted] of a conversation that he had on the evening of the 23rd with a man he knew as Copp, who we now know is General Secord?

A No, I did not know of that at all.

Q Do you know of it today, that there were such cables?

A I knew there were cables, but I don't know where [redacted] directly discussed the matter with Mr.

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Copp, known to us as Major General Richard Secord. No, I had no knowledge of that.

Q You had no knowledge during those meetings that you had on the 23rd of a cable from [redacted] to Mr. Clarridge stating that he had had a conversation with the man we now know as Mr. Copp in which Mr. Copp indicated that the cargo to be carried was HAWK missiles?

A No, I did not know that such a cable existed.

Q And you've never seen such a cable?

A I have never seen that cable, to the best of my recollection.

Q Have you ever had occasion to speak with the gentleman that was [redacted] at that time?

A I have not had the occasion. I don't know who [redacted] was at the time.

MR. WOODCOCK: His name was [redacted]

THE WITNESS: I've heard of [redacted] but I've never discussed this issue with him.

BY MR. KERR: (Resuming)

Q It's never come to your attention that [redacted] stated under oath that he sent such a cable to Mr. Clarridge on the 23rd?

A I have no knowledge that he sent such a cable.

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When Colonel North spoke about oil-drilling equipment, [redacted], I must say that I had doubts, and I've testified to that, as to whether Colonel North was being totally candid as to the cargo.

Q I understand. Let's pursue it from that angle. You did not suggest to Colonel North that he ought not to be lying to you all about what that cargo was?

A I did not confront Colonel North on that issue. He had stated emphatically it was oil-drilling equipment. [redacted] on the 22nd or 23rd, probably that morning, it raised some questions in my mind as to the reliability of that statement. However, this whole operation had been shrouded in great secrecy by the White House and there were many parts that I was totally in the dark about, and I did not know at that stage just precisely what was occurring.

At the same time, inwardly I had serious doubts, and I think Mr. Clarridge had some doubts, too, and concerns.

Q In terms of Mr. Clarridge's doubts, did he express those doubts to you?

A No, I don't think so.

Q You did not have occasion to talk with Mr. Clarridge about his assessment of what this cargo was?

A No.

Q You have never heard Mr. Clarridge state whether

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or not he received a cable from [redacted] that the cargo to be carried was HAWK missiles?

A I've never heard him state that at all.

Q When, if ever, did it come to your attention that Mr. Clarridge gave instructions to [redacted] to destroy all of the cables that had been sent out of [redacted] on this matter?

A I have never heard of such an order having been given by Mr. Clarridge at any time.

Q Do you have any knowledge of the destruction of the CIA headquarters copies of that cable?

A Absolutely not. Since I didn't know it exists, I don't know anything about its destruction either.

Q The cable in question would have sent to Mr. Casey, Mr. McMahon, as well as Mr. Clarridge. Have you had any occasion to talk to Mr. Casey or Mr. McMahon about the cable they would have gotten from [redacted] indicating that the cargo to be carried was HAWK missiles?

A No. I never discussed the cable traffic between Mr. Clarridge and [redacted] with either Mr. McMahon or Mr. Casey. Mr. Casey was out of the country, wasn't he, during that period?

Q I can't answer that question; I don't know.

A I'm almost certain that Mr. Casey was [redacted]

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during that period.

Q I have no idea how one delivers the mail to the Director when he's out of the country.

A You certainly don't deliver every incoming cable when thousands arrive every day.

Q In terms of who was keeping an eye on things for Mr. Casey, Mr. Casey's executive assistant at that point would have been a guy named [redacted] is that right?

A I don't know. I can't recall who was his executive assistant at the time. I thought it was [redacted]

Q You don't recall having any dealings with [redacted] on behalf of the Director?

A I don't recall any specific dealings with [redacted]

Q With regard to the flight of the [redacted] aircraft, you were aware that Mr. McMahon was concerned about that flight when he returned to work on the 25th of November; isn't that correct?

A I understand he was very concerned. Mr. Clarridge told me that he was concerned. I talked to Mr. Clarridge briefly on the 25th. [redacted]

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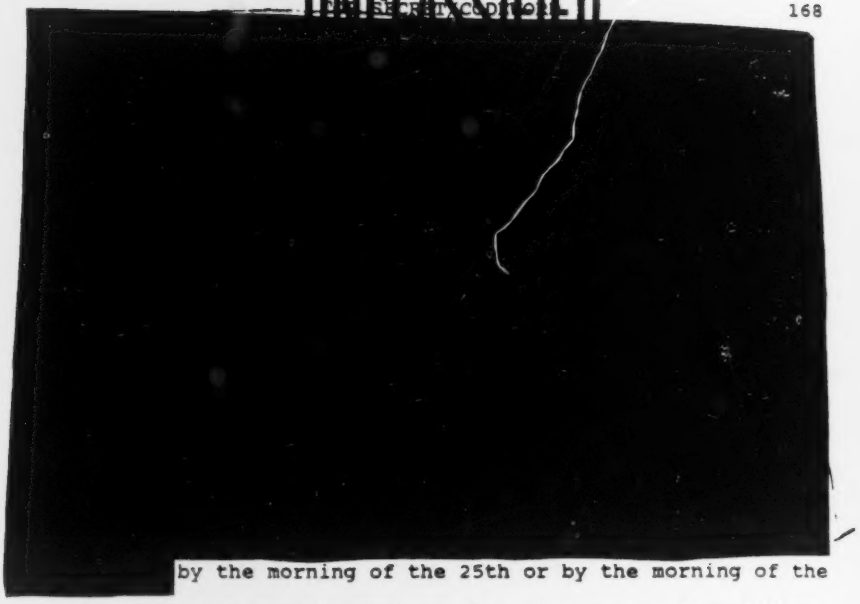

by the morning of the 25th or by the morning of the 26th I was fairly well convinced that it wasn't oil-drilling equipment.

Q It was not oil-drilling equipment?

A That's correct, and I've testified to that.

Q I understand that. McMahon was quite convinced on the 25th it wasn't oil-drilling equipment, too; isn't that right?

A He was upset at the activity on that weekend and had ordered the General Counsel to look into it, and Mr. Clarridge had expressed concern about the reaction of Mr. McMahon and stated that the General Counsel was looking into it.

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Q Now with regard to assignments, you recollect, do you not, that Mr. McMahon felt strongly that a Presidential Finding was required for this activity; isn't that right?

A I'll have to put it in the context of the conversation I had with Mr. McMahon on the 16th of December, where Mr. McMahon described in some detail the meeting that had occurred with the President on the 7th of December where he was present for about an hour and a half in which this initiative was discussed.

And Mr. McMahon had at that point argued, I believe, against the initiative or had certainly pointed out that the intermediary involved -- we knew who that individual was by that time -- was unreliable and had emphatically stated that if the Agency was to support the White House Iranian initiative it would require a Presidential Finding, and he was quite adamant on that and told me so in no uncertain terms.

Q I'm with you, but I want to take you back to November. Do you recall being aware on November 25 or November 26?

A On the 26th Mr. Clarridge stated that Mr. McMahon felt that there should be some sort of Finding possibly developed on this whereby there was an approval received at the top from the President saying that this was a legitimate activity for the Agency to have undertaken.

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Q You're getting this information from Mr. Clarridge. You did not actually discuss it with Mr. McMahon on the 26th?

A I didn't discuss it with Mr. McMahon, to the best of my recollection.

Q On the 26th?

A No, sir. I did not.

Q And you did not have a similar discussion on the 25th, the day before?

A No, sir, I did not.

Q You were or were not aware that on the 26th of November Mr. Casey asked for a Presidential Finding on this matter?

A I know that from the chronology, but I did not know at the time.

Q So you didn't have knowledge this was being sought as of the 26th of November?

A No, I didn't.

Q Let me show you a note of November 26, 1985 from Mr. Casey to Vice Admiral Poindexter enclosing a proposed Finding which I'd like to have marked as Exhibit 10.

(The document referred to was marked Allen Exhibit Number 10 for identification.)

A I was aware, I believe, that something was under

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way as a result of Mr. Clarridge's statement, and I sort of termed it a mini-Finding, and that term apparently persisted. At the time, though, I did not pursue it. I did not obtain any additional information. I recall, however, I believe that Mr. Makowka was involved in trying to prepare something that would have been a Presidential Finding to support future action as well as ratifying past actions.

Q With regard to Exhibit 10, have you ever seen that document before?

A No, I have not seen it before. I've heard about it. Mr. Makowka has described it. He described it in the November 1986 time frame when I raised the issue of a mini-Finding. I was told by Colonel North that a mini-Finding doesn't exist, because nothing was ever signed.

Mr. Clair George stated that it did not exist to me, I believe in the November 1986 time frame.

Q You are aware, are you not, that Mr. McMahon prepared a memorandum for the record on this incident dated December 7, 1985?

A Yes, I am aware of it.

Q Have you had occasion to read that memorandum?

A I have read it, I believe, yes, but I'd have to look at it to make sure it's the same memorandum that I recall reading.

Q Well, let me show it to you, and I specifically

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direct your attention to paragraph 3, although you are welcome to read the rest of it as well, but I'd like to have the memorandum of December 7, 1985, marked as Exhibit 11.

(The document referred to was marked Allen Exhibit Number 11 for identification.)

(Pause.)

A I've read this before. I'm aware of the memorandum.

Q Does reading the memorandum now give you a fuller recollection of the knowledge that you had on the 25th and 26th of November of the acts of Mr. McMahon with regard to getting a Finding?

A Not in any great detail, only what Mr. Clarridge had told me, that the General Counsel was involved and that a Finding might be required, that Mr. McMahon was upset at what had occurred over the weekend.

Q You were aware, were you not, at that time that Mr. McMahon was seeking a Finding that would be retroactive, that would bless what had occurred on the 23rd and 24th?

A That was my understanding, that it would bless what had occurred.

Q Now with regard to the responsibility of keeping track of what had happened on the Finding, bird-dogging the White House, if you will, there's an allusion to Mr.

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McMahon's interest in finding out what had happened with the Finding in this memorandum?

A That's correct.

Q Is it not a fact that you and Mr. Clarridge had the responsibility of checking with the White House, specifically the NSC, to determine whether or not that Finding had been signed?

A No, sir, that is not a fact. I can't speak for Mr. Clarridge, but no one ever asked me to pursue this issue with the National Security Council staff, with Colonel North or any of Colonel North's superiors to determine whether this has been signed or not.

Q Specifically, Mr. McMahon, to the best of your recollection, did not task you with the responsibility of finding out what happened with the mini-Finding that you've described?

A To the very best of my recollection, Mr. McMahon never tasked me to pursue this with the NSC.

Q And you did not in fact pursue it?

A No, sir.

Q Did Mr. McMahon ask you to pursue it with anybody else on whether or not the President had signed this Finding?

A To the best of my recollection, I can't recall Mr. McMahon ever asking me to do that.

Q And with regard to Exhibit 10, which is what you

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characterize as the mini-Finding, it continues to be your best recollection that you have not actually seen that document before; is that right?

A To the best of my recollection I don't recall seeing it before. I don't recall seeing that specific Finding. As you know, on the 24th of December there was a conversation in Room 392 of the Executive Office Building with Colonel North, Bernie Makowka and myself. That conversation almost certainly alluded to this draft Presidential Finding.

Q It alluded to something. That's a month later, December 24, 1985, and we've got a long way to go to get there.

A I know. I keep moving you along.

A I know, and I sympathize with you, but let me turn it over to my colleague, who has more questions on the weekend of the 23rd.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. VAN CLEVE:

Q If I might, just a couple of brief questions to follow up on what Mr. Kerr has been asking about, going back to the morning of Saturday, November 23. Could you please explain why it was necessary for Colonel North to get you to vouch for his request to Mr. Clarridge with respect to --

A I can't answer that question. Colonel North will

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have to answer it. He simply stated it, that he wanted Mr. Clarridge to feel assured that there was an important initiative under way relating to the American hostages in Lebanon, that this is one very tangible way of demonstrating to Mr. Clarridge that something had been under way for a number of weeks. But I can't answer that beyond what Colonel North explicitly told me.

Q When you arrived at the CIA and found out that Mr. Clarridge had been asked to supply the name of a reliable charter airline and get some landing clearances [redacted] were you surprised at the nature of the request? Was that an unusual request?

A Well, it was not something that occurs every day because the destination of the aircraft was Iran.

Q To your knowledge had Colonel North ever made a similar request to you or to Mr. Clarridge previously?

A I can assure you he'd never asked me for that.

Q How about Mr. Clarridge?

A I've never heard that he asked Mr. Clarridge any type of request of that nature in the past.

Q I take it, then, that it's fair to say this was a relatively unusual request. It came up on a Saturday morning. It was represented to [redacted] that this is something the White House wanted to get done and so forth.

A Well, I don't know. You know, you are

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characterizing it as unusual. The fact that it was a White House request and that the White House was involved in what appeared to be operational activity was not a norm, and I don't want to characterize it in any way. It did not shake me to the roots by any means. The Agency has done a lot of things over the last 30 or 40 years.

Q I think we're all aware of that. Did it occur to you that there might be a question about whether or not the CIA could legally comply with Colonel North's request?

A I did not address that issue with Mr. Clarridge orally at all. Mr. Clarridge is a very senior officer of the Directorate of Operations. Mr. Clarridge clearly would understand when he has to obtain authorization from more senior officials to conduct activity of this nature, so I did not question.

Q So it did not occur to you that there might be a question?

A No. I did not question it. And I did not dwell on it.

Q I believe that you told us that when Colonel North stated emphatically that the cargo for the shipment was oil-drilling equipment that you had serious doubts about whether or not that was a correct statement.

A I had reservations.

Q I believe you used the phrase serious doubts about

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five minutes ago. Would you like to stay with that?

A I had serious doubts.

Q Thank you. Would you please explain why you did not raise the question with Colonel North about whether or not that was a correct statement?

A As I explained to Mr. Kerr, there were many gaps in my knowledge relating to this initiative. I had only certain parts of the effort. Clearly this was an initiative of unusual sensitivity involving senior officials of the Administration, and almost certainly the President. Therefore, there might have been reasons why Colonel North did not wish to speak more explicitly about the cargo.

So I did not challenge him directly on it at all.

Q Suppose Colonel North had told you that in fact HAWK missiles were being shipped.

A [redacted] That's a hypothetical question. He didn't do that.

Q That's right. Pardon?

A He didn't ask me that.

Q I'm now going to ask you a hypothetical question. Suppose Colonel North had told you directly that HAWK missiles were being shipped. Would it have made a difference to you or Mr. Clarridge?

A That's a hypothetical question. I can't answer it.

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Q I think you can answer the question. I just made it clear it is a hypothetical question, and I'd like an answer. Suppose you had been told on the morning of November 23, 1985 that HAWK missiles were being shipped. Would it have made a difference?

A I'd have to know who was shipping them, from what stocks, what were the legalities involved. That was a different equation and I wasn't asked that, so I can't respond to your hypothetical question.

Q I think you just have. I think the answer you have just given is that it would have made a difference in the way you handled the request.

A I can't answer it beyond that.

Q I think now I'll just ask you a question I think calls for a yes or no answer. Would it have made a difference to you in the way you handled the request if you had been told that HAWK missiles were being shipped?

MS. MC GINN: That's the same speculative question you just asked him.

MR. VAN CLEVE: I made it clear to the witness it's a speculative question.

THE WITNESS: It is speculative and that didn't arise. I had a National Security Council staffer who made a telephone call in my presence to the Deputy National Security Advisor stating that this was authorized, appropriate,

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proper. I had no reason to question him or confront him directly because there were so many unknowns about the initiative at that time. In December I knew much more about the operation and in January 1986 I knew many detailed parameters, but at that stage it was being handled at the White House level and I am certain Mr. Clarridge had only fragments of what was occurred.

BY MR. KERR: (Resuming)

Q Why are you certain of that, sir?

A Just based on the way he spoke to me that morning, the fact that he was surprised [redacted] I think I'm not going to speculate further. But I think that I only knew certain elements of that and at that stage I didn't feel that I could challenge Colonel North on this issue.

Q Did Mr. Clarridge ever tell you the state of his knowledge at that time -- any time up until this morning?

A He indicated to me that morning [redacted] that this was something that was clearly under way at the White House level. [redacted]

Q Have you had occasion to talk to Mr. Clarridge at any time up till five minutes ago in which Mr. Clarridge indicated to you the amount of knowledge that he had about this transaction when the transaction was occurring?

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A I don't recall that Mr. Clarridge, based on what I know of Mr. Clarridge, he had no knowledge of this initiative until he was asked to assist Colonel North in finding a proprietary charter airline that week in November.

Q We'll go into what it is that you conclude later, but have you ever had a conversation with Mr. Clarridge in which he has indicated at any point in time how much he knew about this transaction on the 23rd and 24th of November?

A No, he has never indicated that he knew any more prior to that date than what he told me that morning.

Q Has he ever indicated since that time, up until today?

A No.

Q What his state of knowledge was?

A No. He has never indicated that he knew anything in addition to what he told me that morning on the 23rd of November 1985.

Q And he has never indicated to you at any time that he was aware of a cable out [redacted] indicating on the 23rd of November that the cargo in question was going to be HAWK missiles?

A No.

Q Do you know [redacted]

A Yes.

Q Have you ever had occasion to disbelieve something

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[redacted] has told you?

A She's a very reliable employee of the Central Intelligence Agency, to the best of my knowledge.

Q Do you have any understanding or knowledge of the basis for her conclusion that you and Mr. Clarridge had the responsibility of seeing whether or not this November 26 Finding was signed?

A No.

Q If that is her perspective, it is inaccurate from your perspective; is that right?

A I was never told by Mr. Casey or Mr. McMahon or Mr. Sporkin or any other senior official of the Agency that it was my job to pursue the so-called mini-Finding to ensure that it was signed.

Q Mr. Allen, you try to be a careful man. I don't care if the janitor told you, but did anybody at the CIA or within 200 miles of the CIA tell you to check out this Finding to determine whether or not it had been signed?

A Never, no one. And this was my first knowledge that anyone would assert that I ever had the responsibility to undertake that activity. I did not. I never pursued it with Colonel North, with Admiral Poindexter or with Mr. McFarlane or any other official.

Q Do you have any knowledge today as to why the document that we've looked at that was Exhibit 10 was not

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signed?

A I don't know why it wasn't signed.

Q Have you ever had a conversation with anybody in which a decision was made for senior CIA officials to tell those outside the CIA that they did not know the nature of the cargo of this aircraft until January of 1986?

A I need that question repeated.

Q Let me try to do it better. That might be a better way to do it. Has it ever come to your attention, sir, that CIA personnel concluded that they should tell folks outside the Central Intelligence Agency that Mr. Clarridge, yourself, for example, did not know that the cargo of this aircraft was weapons until sometime in January of 1986?

A I don't know why senior officials -- let me respond to that this way. By the 26th of November 1985, [redacted] it seemed that arms were involved. The nature of those arms, the specific types of those arms was unclear.

On 13 January 1986, Manucher Ghorbanifar said that it involved 18 HAWK missiles on the aircraft and that the United States charged four times the going price for those missiles. So to the best of my knowledge the specific cargo I did not know until 13 January.

Q Do you have any knowledge of a decision being made by or among CIA personnel that if asked by folks from outside

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the CIA when the CIA knew of the cargo of this aircraft that they would reply that they did not know until January of 1986?

A When we were preparing the Director's testimony the question came up in trying to reconstruct the chronology. Mr. Casey was there, I believe, and we all tried to reconstruct those days back in November and December, and no one, to the best of my knowledge, could actually at that time -- that was about, and I'll have to get the date, but that was the week that the Director put together his testimony -- no one could remember specifically that the cargo was actually 18 HAWK missiles until the January time frame.

Now I didn't know it was anything. I did not know it was HAWK missiles until 13 January 1986.

Q Well, let me come at it another way. Do you have any knowledge of anyone at the CIA concluding that because there was no Presidential Finding signed until on or about January 17, 1986, that it would be imprudent for CIA personnel to say that they knew about the content of this plane in November?

A I know of nothing relating to that. If I or anyone else had explicit information, I'm certain we would have testified to that.

[redacted] BY MR. VAN CLEVE: (Resuming)

Q By the same token, if Oliver North had told you

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that HAWK missiles were being shipped, I take it that you would not have complied with his request without a Finding; is that correct?

A Well, I was not responsible for provision of the proprietary airline to Colonel North and to Major General Copp, also known as Secord. I simply provided the intelligence that had been collected. So I don't think that was my role. My role was to task, collect intelligence and, from time to time, asses^S what that intelligence meant.

BY MR. KERR: (Resuming)

Q I'm about to shift to another area, so if you all want to break, we can do that or we can plunge ahead and see where we go for another fifteen minutes.

A What time are we finishing?

Q I think I made a commitment to quit by 5:30 at the latest.

A Why don't we hang on for 15 minutes?

Q Let me give you a slightly different focus. You met in late November with Michael Ledeen, did you not?

A I met with Michael Ledeen and, I believe, the November time frame, with Mr. Clarridge where he provided some intelligence on alleged Iranian terrorist networks in Western Europe. At that stage he refused to reveal the source of that intelligence. We ran some name traces. He gave us a photograph that he had obtained from his source of

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[redacted]

Q All right. Let's try to pin it down vis-a-vis the [redacted] aircraft. Did you meet with Mr. Ledeen before or after that flight from Tel Aviv to Tehran?

A I don't know.

Q Would you have any records in your possession that would show when you would have met with Mr. Ledeen in November of 1985?

A It's possible.

Q Could I ask you all to check on that between now and Friday?

A That's impossible. The Independent Counsel has my files.

Q He's got your calendar, too?

A Yes, he has everything. He's had it for six, eight weeks.

Q He should have it memorized by now. We'll see if we can talk to him about that.

In terms of the way that meeting was set up, how did it come about, your meeting with Ledeen?

A I believe Mr. Ledeen called me and stated he wanted to come out to the Agency in his capacity as a consultant to the NSC on counterterrorism, that he wanted to

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meet with me and Mr. Clarridge because he had some operationally sensitive intelligence on Iranian terrorist activities in Western Europe, and we met in Mr. Clarridge's office.

Q Your recollection would be that Ledeen called you direct rather than North or someone on North's behalf?

A That's my understanding. We're talking about the November meeting.

Q Yes.

A Which I cannot pin down specifically.

Q Well, let me ask you to take a look at two documents which have been identified to us as documents that came into your possession in November from Ledeen, at least CIA has told us that. The first is an undated document. It's R-C219 and C220, which will be Exhibit 12.

(The document referred to was marked Allen Exhibit Number 12 for identification.)

The second is a document with Senate number C-230 to 241, which we've also been advised by the CIA came into your possession from Ledeen in November 1985, and that will be Exhibit 13.

(The document referred to was marked Allen Exhibit Number 13 for identification.)

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If you'd look at those two documents and identify them for me, if you can, Mr. Allen, and we'll talk a little bit about them.

A Ah-ha. Why don't we talk about C-220? That one came to me first. Now this one I believe came later. I don't believe this was obtained in November and I think CIA is absolutely inaccurate in that.

Q It's hard to believe, but we'll come to that in a moment. Let's deal with Exhibit 12 first.

A Let's look at Exhibit 12.

Q Exhibit 12 is a document you recognize?

A Yes.

Q And it's a document that came into your possession in November of 1985, correct?

A Yes. I gave a copy to Mr. Clarridge as well.

Q And you would have gotten this document at the time that you met with Mr. Ledeen?

A Yes, [redacted]

Q Did Mr. Ledeen provide you with any other documents at that time apart [redacted]

A I don't believe so.

Q So the only document with writing on it that you recall receiving is what is now marked as Exhibit 12?

A That's my understanding.

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Q The style of this document is, in the gray ways of lawyers, somewhat flamboyant. Was this your understanding this was Mr. Ledeen's work or the work product of someone else?

A I believe this was Mr. Ledeen collecting this from his source and writing it up.

Q And if I'm understanding you correctly, Mr. Ledeen declined to identify to you all who the source was; is that right?

A At the time, he did not identify the source to either Mr. Clarridge or to me.

Q Did he characterize who this person was, an Iranian?

A He just said he was a reliable source.

Q A reliable source. He didn't say his nationality, background?

A He said he was an Iranian who was a reliable source. So Mr. Clarridge ran some name traces, as I recall on these individuals.

Q So you ran name traces on the names that appeared in the memo?

A Um-hum. [redacted] on whom there was probably something in the files, and I think [redacted] I don't believe we found anything on him.

Q Help me a bit in terms of what Ledeen was telling

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you. Why did Ledeen say that his source wanted this information to be brought to the attention of Central Intelligence Agency?

A Well, he didn't say that.

Q What did he tell you?

A Mr. Ledeen stated that he had obtained this information from an Iranian in Western Europe, that the information he felt was pertinent to the Agency's counterterrorist mission, and he was bringing it to our attention for possible follow-up operational activity.

Q Did he tell you that he had obtained this information while he himself was in Western Europe?

A Yes, I believe he did.

Q Did he tell you when he was in Western Europe?

A I don't recall that he did.

Q Do you recall where in Western Europe that it was that he had this meeting?

A No.

Q He didn't mention Switzerland, by any chance?

A I don't think -- to the best of my recollection, I don't think he specified where he collected this.

Q Do you know today where it was that he got this information?

A I don't know where he obtained it.

Q You do know the source today?

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A Yes, I do.

Q Manucher Ghorbanifar?

A Manucher Ghorbanifar was the source of this intelligence.

Q But where did Ledeen acquire this information? You don't know that?

A No, I don't know that.

Q Did Ledeen indicate to you in this initial conversation that you and Mr. Clarridge had with him the extent of his familiarity with Mr. -- with his source?

A No, he didn't describe the source in any detail at all, except that he did not want to provide the name because he stated that the source was a very delicate one and that he did not feel comfortable with providing the information to us.

[redacted] at that time that this delicate source had had prior relationships with the CIA?

A No.

Q All right. Apart from what is related in the memorandum itself and what you've told us about what Mr. Ledeen [redacted] how he acquired this information, what else [redacted] anything, between yourself, Mr. Clarridge, and Mr. Ledeen at this meeting?

A What else? I don't recall anything else. They exchanged cigars because they both smoke cigars, but other

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than that I can't recall anything.

Q Was there any writing made of what transpired at this meeting?

A I don't think so.

Q You did not prepare any kind of memorandum?

A No.

Q Would you have prepared in any handwritten notes on this meeting?

A Well, if I did, it's in the hands of the Independent Counsel.

Q Now with regard to the other exhibit that we looked at, that document you also recognize?

A Yes. This was a document that Mr. Ledeen pulled together based on information that had been provided to him and it's my belief that he probably put this together in the December time frame, not in the November time frame.

As you know, Mr. Kerr, there was a meeting between Mr. Ledeen and myself on the 3rd of December, first with Mr. Clarridge and Mr. Ledeen and myself, and then Mr. Clarridge stated that since this was so focused on this Iranian initiative and the factions within the government that it would be best that I meet with Mr. Ledeen and prepare a memorandum on just all that Mr. Ledeen had to transmit.

It was at that meeting Mr. Ledeen identified Manucher Ghorbanifar.

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Q My recollection is that the meeting was on December 4 as opposed to December 3 from your memorandum.

A Well, you have an advantage.

Q We'll show it to you in a minute, but in terms of the document that's Exhibit 13, it would be your best recollection that you would have received that document at the meeting on, by your memo, December 4; is that right?

A Well, I'm not certain when I obtained the document. Mr. Ledeen either in the November meeting or the December meeting stated that he believed he had insights into the factional alignments within the Iranian government. I know that Mr. Clarridge stated it would be helpful if he could put this down in some form. Mr. Ledeen indicated that he had obtained this not just from his source, Mr. Ghorbanifar, but that he had had discussions with some interesting Iranians, including a very senior Ayatollah.

And I believe I and Mr. Clarridge said if you really wish to be useful in providing us with insights, put this down in some coherent way, because each faction has various groups within it, that this is a very complex and poorly understood issue within the U.S. intelligence community.

Q With regard to this document, though, it was delivered to you by Ledeen himself; is that right? It didn't show up in the mail one day?

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A It was given to me at some point by Mr. Ledeen. I can't recall where and when.

Q That's really the problem.

A Well, I can't help you. I recall that Mr. Ledeen was expounding information on the factions within Iran. I believe Mr. Clarridge said, look, for this to be helpful, it's got to be put in a coherent framework and that was what Mr. Ledeen did. He went to his home, he took his notes, and, as I understand it, labored away to produce this document.

Q And he told you that he labored away, correct?

A That's correct.

Q You weren't there where he was laboring away?

A No. I only have his word.

Q How many meetings did you have with Ledeen in December 1985?

A I think only one.

Q Right, and that was on December 4, right?

A You say December 4, so I take your word for it.

Q Well, I'm taking your word for it, frankly.

A Well, you have the advantage, as I said earlier.

Q And I'm a great believer in your word, Mr. Allen. It looks good to me. So if there was only one meeting and it was, according to your memo, on December 4 and you did receive this in December, you would have received this at the December 4 meeting; isn't that right?

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A It seems likely.

Q Before we go into the rigors of the December 4 meeting, it is 5:30. I'll let you all get out of here.

A The rigors of the December 4 meeting; that's going to be interesting.

MR. KERR: See you all at 9:00 on Friday.

(Whereupon, at 5:30 p.m., the taking of the instant deposition recessed, to reconvene at 9:00 a.m., Friday, April 24, 1987.)

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Stenographic Transcript of

HEARINGS HSITS 0079 /87

Before the

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NICARAGUAN RESISTANCE

UNITED STATES SENATE

TESTIMONY OF CHARLES E. ALLEN - Continued

Friday, April 24, 1987

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TESTIMONY OF CHARLES E. ALLEN - Continued

Friday, April 24, 1987

United States Senate

Select Committee on Secret

Military Assistance to Iran

and the Nicaraguan Opposition

Washington, D. C.

Continued deposition of CHARLES E. ALLEN, called as a witness by counsel for the Select Committee, at the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D. C., commencing at 9:12 a.m., the witness having been previously duly sworn by MICHAL ANN SCHAFER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direct[redacted]

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APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

CHARLES KERR, ESQ.

TIMOTHY WOODCOCK, ESQ.

On behalf of the House Select Committee to Investigate Covert Arms Transactions with Iran:

DIANE DORNAN, ESQ.

On behalf of the Central Intelligence Agency:

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Office of Congressional Affairs

Central Intelligence Agency

Washington, D. C. 20505

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PROCEEDINGS

Whereupon,

CHARLES E. ALLEN,

called as a witness by counsel for the Senate Select Committee, having been previously duly sworn by the Notary Public, was further examined and testified as follows:

THE WITNESS: In the discussion last Tuesday you asked a number of questions about a program that I was involved in as a senior manager between 1981 and '85. I had two positions -- first as directly responsible to Mr. Carlucci and Admiral Inman, and then I worked in the Department of Defense, OSD.

I have been authorized to tell you that [redacted] and that if it's important that information be derived about the program that it has to be discussed with Senator Boren on the Senate side and Congressman Cheney on the House side. Both of those individuals are aware of the program. At this point it's my understanding that no staff members on either the House or Senate Select Committees on the Iran affairs are accessed to the program and that there's no intention to access any of the staff.

EXAMINATION ON BEHALF OF THE SENATE COMMITTEE - Resumed

BY MR. KERR:

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Q With regard to the matter that we discussed when we last talked, Mr. Allen, are there any other matters that you'd like to correct or amend or amplify on? You've had a couple of days to think about things, and I believe you may have had a chance to go through some additional documents since you and I last talked.

A There were questions asked by Mr. Liman, I guess, about knowledge of a certain activity relating to June and July 1985 involving Colonel North and two DEA agents. I have no knowledge of that particular operation. I do, I believe, have a document that we have found in my files dated January 1986 in which an officer who worked for me was requested by Colonel North to travel with the two DEA agents in question, [redacted] to assess [redacted] as to their capabilities or access to individuals that might have ways to free American hostages in Lebanon.

I believe Miss McGinn here is willing to submit the memorandum that I found in my files, in my Hostage Location Task Force files, to you at this time.

MR. KERR: Super. Thank you very much.

MS. MC GINN: We just have to get somebody to sign for this. You can take a look at it right now.

(The document was handed to Counsel.)

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THE WITNESS: I believe the last question that you had asked me when we ended our deposition on Tuesday was the date when I met Mr. Ledeen, and I have checked my file and I believe you are correct. It is 4 December 1985.

BY MR. KERR: (Resuming)

Q Thanks. Bear with me a moment while I glance through this memorandum. The memorandum that's been provided to us is a memorandum dated January 15, 1986. It's a memorandum for the record, subject Trip Report: It bears CIIN 2799 as its number and it appears to be written by [redacted]

(Pause.)

When I get to January 15 and that period of time

-- and, believe me, we will get there eventually -- I'll tarry on this thing. We'll look at it a little bit more then.

Mr. [redacted]en, it's my under[redacted] that between the last [redacted] we talked and now some documents were located by the CIA that apparently are a box of your notes and some other documentation that hadn't been provided to us yet. I was called about it yesterday and was not able to get over and take a look at the documents they found.

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Have you had a chance to go through that box in the last day or so?

A This was a box of materials that were sent to the Independent Counsel six weeks ago, I assume, at least six weeks ago. I had not had a chance to review them because they had been retained. I asked for them back. They are in my office now. Very candidly, I've not had a chance to go through them. I looked at just one small file last night briefly. They are available, of course, for your inspection.

I will be gone for one week, and if you have questions on those -- and [redacted] you probably will because they involve just a lot of handwritten notes out of notebooks that I tend to keep -- I would be available after one week to talk further about them.

Q [redacted] I appreciate that, but essentially what we have is a collection of jottings, notes --

A Notes. Many of the documents in that box are already in the possession of the Senate Select Committee because many of these are just duplications of documents already furnished to you. Unquestionably there may be some notes, an odd piece of paper, here and there that you have not seen. But my secretary has them and you certainly can look at them at any time.

Q Thank you. We had ended at about December 4.

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We were about to start talking about a meeting you attended with Mr. Ledeen. Before we do, a couple of matters had come up as a result of some documents that we received at the deposition of [redacted] that I wanted to touch base with you on.

If I understood your testimony correctly, you indicated that you did not know Mr. Ghorbanifar's actual identity until you met with Mr. Ledeen on 4 December; is that correct?

A That is correct. I personally did not know his identity.

Q In terms of the identities, were you aware that Colonel North had asked the Central Intelligence Agency to [redacted]

A No, I did not know that.

Q Has that come to your attention subsequently [redacted]

A In late October 1985? [redacted] and I did not know [redacted] I knew that Mr. Ghorbanifar was in this country, of course, in early October, so it's quite likely that Colonel North could have asked for [redacted] without my knowledge, because my role was to collect intelligence,

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not to involve myself in direct operations.

Q Let me show you a series of cables and some Xerox copies [redacted] that were given to us the other day under cover of a letter dated April 22, 1987, Senate numbers C-6267 through 6297. It's not necessary for you to spend a lot of time with them, unless you want to. But I'd like you to take a look at them for a two-fold purpose -- one, to tell me if you've ever seen the documents before. Beyond that I'd like you to tell me if it gives you any further refreshed recollection of knowledge you would have had at the time that the events described in the documents were taking place.

They will be Exhibit 14.

(The document referred to was marked Allen Exhibit Number 14 for identification.)

(Pause.)

A No, I've not seen these telegrams. I have not seen them.

Q With regard to the events that are described there, let me throw out a few more bits of information that come from recent testimony we have to see if you have any knowledge of these events at all. Apparently the Near East Division had given the assignment [redacted]

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[redacted]

As the cables indicate, [redacted] They were hand-delivered back to Washington, D. C. approximately November 5 and [redacted] indicated that he took [redacted] himself over to Colonel North and met with Colonel North, at which time -- and frankly I think it is indicated on the cable which is Director 610726 -- North identified one of the people [redacted] as Manucher Ghorbanifar and the other person was determined to be [redacted]

North, as an aside, apparently had [redacted] confused, but he had the right names. [redacted] went back to the shop, did a trace on the names, and got a hit on the Ghorbanifar file. He wasn't clear on what he got on the [redacted] file. As I understand from testimony that was given by Mr. Juchniewicz yesterday, Juchniewicz was apprised of what was in the Ghorbanifar 201 and, according to Mr. Juchniewicz and what he recalls, he asked [redacted] to apprise Colonel North of the fabricator notice, the basic background on Ghorbanifar at that time, which would have been the first week or so of November 1985.

Were you privy to any of those events at that time?

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A Not at all.

Q So as far as you knew, in early November Ascari was still an unknown?

A That's correct.

Q And you didn't link him up to anything at that point?

A And Colonel North did not tell me that he knew that Ascari was clearly Manucher Ghorbanifar. He continued to keep me in the dark on that as part of his compartmentation efforts on the project. That's not unusual. Unfortunately, sometimes compartmentation hampers actual intelligence operations.

Q You must have been talking to North, though, from time to time during this period in November.

A I talked to him every day, but you must understand that on this [redacted] I would call and brief it to him because my copy was always delivered to me by courier before either Defense or the White House, [redacted]

But I talked to North on endless things because I was focused on worldwide terrorism.

Q That was my impression. Your turf and his crossed paths a great deal, I would think, and you would have been talking to each other a lot.

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A I talked to him numerous times every week, and I saw him every week for the last several years.

Q You would have been talking about this project, at least intermittently, in November?

A That was correct.

Q Did you have any sense that he either knew or did not know the identity of Ascari?

A He never offered that he knew who this individual was.

Q I'm really going beyond what he said.

A I had no sense that he knew that. He did not disclose it. [redacted]

Q Let me just pursue that a little bit further, though. It's curiosity as to what the CIA's information systems were reporting back. Do you have a recollection of name trace product on [redacted] in November, what it was showing you that you all knew about [redacted]

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A We had run, as I think you recall, back in September traces on [redacted] and there was a very limited amount of intelligence, and even in 1986, when this became a priority [redacted] at my request, levied on [redacted] a list of requirements on [redacted] It was a very extensive list. I looked at it and said this is great, and she sent it to the Directorate of Operations.

So even by early 1986 our amount of knowledge on [redacted] was, as I recall, fit on one page.

Q That puzzles me, Mr. Allen. That's why I want to pursue it, because I'm not sure what went awry here. We know from the cables that we saw the other day that there was a substantial amount of cable traffic and the like on the Cyrus Hashemi connection to [redacted] Manucher Ghorbanifar that I gather didn't make much of an impression on you, even if it was turned up, and I didn't get a clear impression of whether it was turned up.

Did you all know that there had been this Shaheen to Casey inquiry that has resulted in the identification of Manucher Ghorbanifar [redacted] as wanting to do something for the hostages in June and July of '85?

A I had not heard of Shaheen and Mr. Casey did

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not enlighten me at that time.

Q And when you did the trace it didn't trigger that paper history is what I'm really asking.

A There was a very limited amount of intelligence [redacted] that I saw as a result of the trace, a very small amount.

Q So in November of '86 --

A And could I just continue? I know that Mr. Cave and I talked about the lack of information on [redacted] and Mr. Cave kept saying well, I can't understand why we do not have more intelligence on [redacted] That must be another alias. It must be someone else in the Iranian government. And I remember that Mr. Cave and [redacted] and I discussed it [redacted]

[redacted]

Q But what troubles me is that the prior

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overture didn't pop and you have no recollection of having a conscious awareness in November that there had been this overture from Manucher ghorbanifar [redacted] in June and July of '85 relating to exchange of weapons for hostages.

A No, sir, I know nothing of that.

Q In terms -- one of the things [redacted] said in his deposition, which I really hadn't focused on before, is that you all don't have direct access -- "you" being the intelligence [redacted] -- to the 201-type file material that the Directorate of Operations has; is that correct?

A I did as Chief of Intelligence in [redacted] but at the time I was not a part of [redacted]. I had the authority to have the Directorate of Operations search their files for intelligence, and I exercise that authority from time to time.

Q Do you recall this instance when the Ascari name came up whether you gave that kind of task to the Operations Directorate?

A I had the Office, I believe, [redacted] the analysts who came in on the night of the 13th, and I believe they pursued it even the next week, have traces of the names run through the Directorate of

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Operations. So yes, the name Ascari was run through the Directorate of Operations.

Q And that run, to the best of your knowledge, did not hit Ghorbanifar?

A It did not. Our information processing systems, as you know, are very imperfect.

Q The important thing is for me to know that you went through the system. The checks were made, but you didn't get a hit.

A I didn't personally make the call, but I had an officer who said it had been traced through the Directorate of Operations.

Q During this period of time, the September through November period of time, did you have occasion to talk to the folks in [redacted] office who do intelligence analysis work on Iran?

A I believe I tasked his Iranian analyst, [redacted] I can't recall all the tasking. She certainly looked for [redacted] and sent the requirements out for additional collections on [redacted]. I also talked, I am certain, to [redacted] and asked for a paper on arms sales to Iran. I'm fairly confident I asked that. I did not go down and talk to [redacted] about this initiative, because clearly I was not authorized to either by Mr. Casey or by Colonel North,

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since Colonel North, working with Mr. Casey, sort of set the parameters on who could or who could not be aware of this operation.

Q A couple of other minor cleanup matters that have come up since you and I talked. Let me show you a cable that does not have a date but which appears to me from its content to have been generated probably in the early fall of 1985. It's a Secret [redacted] cable to [redacted] although it appears to relate to you as well, Mr. Allen. It has our number N-9293 and that will be Exhibit 15.

(The document referred to was marked Allen Exhibit Number 15 for identification.)

Again, it's a twofold purpose that I'm giving the memo to you for -- first, if you can tell me if you've ever seen this particular memorandum; second, after reviewing its content, if you have any knowledge of the matters that are being described in the memorandum.

A What is the date of this?

Q That was one of the things I hoped you could help me out with. My reconstruction of the facts set out in the memo suggests to me it occurred probably in the early fall of 1985, but I don't know. One of our hopes is perhaps you can tell me when this was generated.

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A This would be [redacted]. As you recall, he at time substituted when I was no longer able to sustain myself.

Q Refresh my recollection, Mr. Allen. [redacted] position was what?

A Was Deputy Chief of the -- he's Deputy Chief of the current [redacted] and I can't recall what it is, but it's [redacted]

Q I don't know how you guys keep track of the vegetable [redacted]

A Well, it used to be called [redacted] I would assume that this must relate to the mid-September 1985 activity [redacted]

Q That was my guess.

A And I assume that, as I recall, I worked for about 48 hours straight and I finally went home and [redacted] was working at my desk using my own [redacted] system. He must have asked for [redacted] priorities and these were the priorities that were provided to [redacted] by Colonel North.

Q Let me just linger on this for a [redacted]. In terms of the system that generates this kind of paper, what is the [redacted] system?

A That is one of the more remarkable systems

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started by Director Casey. It is a system that he, on the spur of the moment, initiated to bring the intelligence, counterterrorist -- the intelligence community counterterrorist elements together analytically and in times of crisis. It's simply a secure electronic communications system involving all principal intelligence agencies [redacted]

And Colonel North used it frequently to communicate with the intelligence community counterterrorist analysts and with me, on occasion.

Q Do you get an electronic display or does it spit out a message, or what happens?

A [redacted] get a display and then, of course, you can have it printed. It's just a very simple electronic system. It's a secure communications line, a PC and printer -- very simple. CIA pays for its operations and maintenance. [redacted] I manage it on behalf of the Director of Central Intelligence.

Q With regard to a record, a memory of what passes across the system, can you describe for me what system there is, if there is one, to record and maintain messages that are placed on the system?

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A I can explain to you in generic terms. There is, in case the system crashes, there is a controller [redacted] that retains the messages for a brief period of time. In the January time frame I believe I alerted the Inspector General, Mr. Hauver, of the potential that there could be [redacted] message relating to this initiative.

Q [redacted] January of '87?

A '87, between me and Colonel North. [redacted] It's my understanding that the memory or the memory capacity is very brief and that they can only hold messages a month to six weeks. Therefore, any messages that could have been transmitted during this initiative between, say, September '85 and November '86 would not be available.

Q To the best of your knowledge, there is no master disk or other electronic record kept?

A There is no master disk or storage, to the best of my knowledge. Mr. Carroll Hauver looked into that only at my suggestion. I took the initiative in that in order -- because there may have been a number of messages. I know there [redacted] this initiative passed [redacted] the NIO and the NSC.

Q Is there a system or a requirement to generate

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hard copy of messages on the [redacted] system?

A Absolutely not, because the idea is it's an informal analyst-to-analyst communication system. It is not a system for formal recordkeeping at all, and we did not want it to be that way.

Q So there is no clerk assigned somewhere?

A Absolutely not. There are certain guidelines under which it is used. I established those guidelines and I can make those available to the Committee. I mean, I established it in consultation with the other intelligence agencies.

Q To the best of your knowledge is there a writing, a memorandum, regulations, standard operating procedure, that would set forth the record retention policy for the [redacted] system?

A To the best of my knowledge there's no specific document as far [redacted] guidelines which would require retention. The idea is for informal analyst-to-analyst communications. For crisis management we use it and we generate hundreds of messages a day over it. I look at it when I come in in the morning. I was using it last night to discuss a specific issue, for example, with a Defense Intelligence Officer on counterterrorism, a specialist in Shia fundamentalism.

It's a very, very good system and we would not

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want to make it a formal system because I think it would thwart the objectives of the system and make it a formal system that was not needed. Director Casey is very proud of the system and I think it's just one more of the contributions he has made to the intelligence community.

Q To the best of your knowledge it is not tied into a larger computer system that would automatically maintain an electronic record?

A To the best of my knowledge that is the case because Mr. Hauver discussed this with me in the March time frame, I believe, and he had verified that the records are kept only briefly.

MS. DORNAN: Chuck, may I add that I heard about that system in connection with some investigations in counterintelligence, and they said pretty much the same thing. This was about a year and [redacted] ago, I guess. Part of the [redacted] is the analysts are reluctant to exchange information often because of security reasons, so security was one of the big reasons they didn't want to retain a record or have a printout capability.

THE WITNESS: I'm afraid I didn't understand your statement for security reasons. We use it as analyst-to-analyst communications. We do not put on the system anything that's prohibited. We can go through codeword information at any time. It is not a system for

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formal tasking. That's one thing we want to avoid. But for security reasons I really don't understand your point.

MS. DORNAN: That was what the CI people emphasized. They didn't want to exchange information on cases.

THE WITNESS: Well, it's not used for sensitive operational exchanges, but it's used for substantive analytic exchanges and we particularly use it [redacted] during crisis management. We also use it with exercises. We just did [redacted] which I helped manage.

MS. DORNAN: Isn't it more or less somewhat of an equivalent of a secure telephone only you can get more information?

THE WITNESS: I think that's true. And, of course, you can, you can broadcast it to the entire list of subscribers or you can go point to point, and on something that you want, say specifically for Colonel North, on this initiative we would go point to point. But we did not use it very often for this initiative because I viewed it as [redacted] and so did Colonel North.

BY MR. KERR: (Resuming)

Q Is there anything on this document that would

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enable one by looking at the letters and the numbers to tell what the date of the document is? I confess I puzzled with it last night and I was left baffled.

A I could inquire [redacted] and would be pleased to. Only the content tells me that it's [redacted]

Q But there's nothing that jumps out at you as being a calendar code of some sort?

A I don't think there is one, no, because these are considered very, very temporary type exchanges. They are very current.

Q There's a reference here, I guess it's North, saying we should make every effort to steer people away [redacted] any information collected. I wanted to explore that a little bit. In terms of this sensitive initiative, what, if any, instructions did you give or were you privy to with regard to not distributing particularly [redacted] that was being collected during this period of time, not distributing to the normal channels, [redacted]

A I wasn't given any instructions that I know of, nor could I squash it to start with. I guess [redacted] always makes the decision on whether to disseminate or not. Sometimes [redacted] would ask me if they should put it in

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[redacted] could it be related to this initiative, but I never told them they couldn't disseminate anything, nor would that be my position.

Q So I'm clear, in the period September through early December 1985, you neither gave instructions nor were you aware of a decision to not distribute [redacted] to normal recipients of such intelligence?

A I have no knowledge that any [redacted] was not disseminated because of this initiative. I never gave any instructions not to disseminate. I only gave guidance if it appeared that there was something very sensitive relating to this initiative or to sensitive hostage matters perhaps it should be disseminated in the hard copy format rather than the electronic distribution. [redacted] was a very infrequent occasion.

Q Even in that [redacted], in the September through early December period, do you have a specific recollection of that kind of guidance being given by you?

A Never. I'd like to point out, as you recall, when I tried to disseminate it, [redacted]

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Q There is another memo, and I lose track of which system these things come off of, but this is an Ollie North memorandum of November 9, 1985, which appears to me to be making reference to a close-down of normal distribution and, in this particular memo, opening it back up again. Again, if you'd look at it -- it's very brief -- maybe you can tell me what was going on at this period, which is November 9, 1985, and that will be Exhibit 16.

(The document referred to was marked Allen Exhibit Number 16 for identification.)

A What is the date of this?

Q November 9, 1985.

A I don't know what they mean by "we have told [redacted] to stand down on [redacted] and allow normal closed distribution [redacted]" I'm not certain what "stand down on [redacted], I have no knowledge of what he means there.

The only thing that I know that he must be talking about [redacted] I did arrange, as you know and as I've testified, at Mr. McFarlane's guidance, through Colonel North, for how [redacted] would be disseminated [redacted] and that that

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dissemination excluded the Secretary of State.

Q You've been very clear on that in terms of [redacted] but again to the best of your recollection there was no shunting process in place to keep the normal flow [redacted] on Iran out of the hands of its normal consumers?

A I am convinced there was nothing of that, and certainly nothing came from me. The integrity of the intelligence process is paramount, [redacted] Absolutely there would be no constraints on dissemination [redacted] only how [redacted] was handled in order to restrict its dissemination.

And, at McFarlane's guidance, through North, I arranged for [redacted] dissemination [redacted]

Q With regard to this particular memo, you don't recall having seen it contemporaneously; is that correct?

A I did not see that memo.

Q Have you had occasion to discuss this memo with anyone else before?

A I have never seen, never did know it existed, never discussed it with anyone.

Q And you told us that the references to

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[redacted] and then normal closed distribution

[redacted] you explained what you know about

that.

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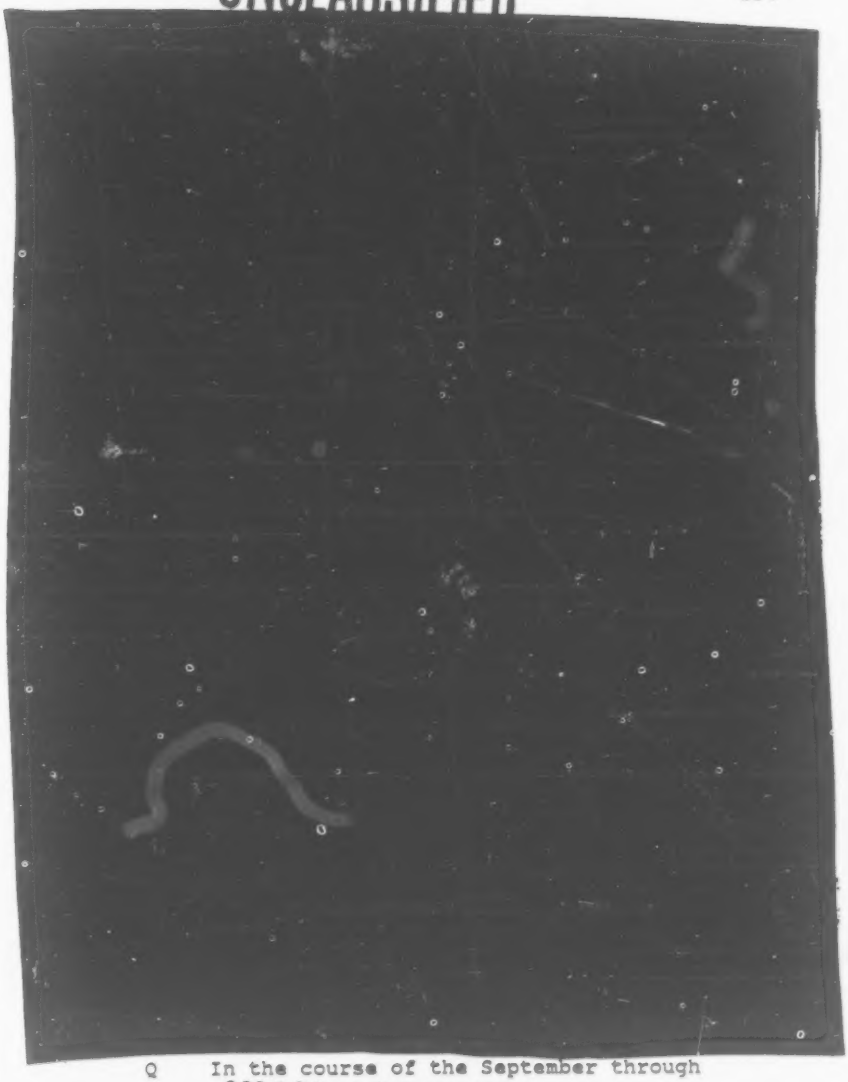

Q In the course of the September through

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November-December period of 1985 do you have any specific recollection of meetings, conferences that you would have had with [redacted]

A Would you repeat the date of that?

Q September 1985 through early December 1985, do you recall meetings that you would have had with [redacted] or conversations?

A I don't recall a specific meeting, but I know I talked to him on the secure telephone about the initiative and I must have met with him once or twice during that time frame on the initiative, but I can't recall specific dates. It would be on my calendar. I'm sure it would be in [redacted] calendar.

Q The decision on distribution would have been a decision that [redacted] and his people would have made?

A Distribution of [redacted]

Q Yes.

A On [redacted]

Q Yes, sir.

A Well, I have testified to the Senate Select Committee on Intelligence and to the Tower Commission that when [redacted] asked for a dissemination list.

[redacted] I

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waited for an hour while Colonel North obtained guidance from Mr. McFarlane. Mr. McFarlane made the decision that the dissemination should be to him and Colonel North, to Mr. Casey and Mr. McMahon, and to Secretary Weinberger.

Q And as to Secretary Weinberger, that was by way of Admiral Moreau; is that correct?

A Well, that's the way it actually worked, and Admiral Moreau talked to me [redacted] several times, and as long as Admiral Moreau was Assistant to the Chairman of the JCS, [redacted] had no problems with control over the dissemination [redacted]

Q I'm sorry. I did recall your testimony on that initial contact. Subsequent decisions on distribution, if they had to be made, would they have been made [redacted] or would they have been made by someone else through you?

A [redacted] would have asked for guidance. I know tha[redacted] as I recall, verified, I believe with Admiral Poindexter, that the dissemination was correct. I believe Admiral Poindexter affirmed that this was the way Mr. McFarlane wanted the dissemination.

Q How do you know that?

A I believe [redacted] told me that.

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THE WITNESS: Could I take a couple-minute break?

(A brief recess was taken.)

BY MR. KERR: (Resuming)

Q Mr. Allen, let's go to the December 4 meeting. Let me ask a few questions about the context. When you testified the other day, you indicated you met with Ledeen at his request in November, and we looked at some materials that had been provided to you by Ledeen in November.

A Along with Mr. Clarridge; he was present throughout the session.

Q Then there is a subsequent meeting on December 4. How did the second meeting come about? How were you all approached?

A I believe Mr. Ledeen called Mr. Clarridge. Mr. Clarridge set up the meeting. I met initially in Mr. Clarridge's office. Mr. Clarridge asked what could we do for you, Mr. Ledeen, and Mr. Ledeen started talking about Iran, the problems of a lack of a political relationship. He confided that he had been a consultant to the NSC and to Mr. McFarlane, that he had, at McFarlane's direction, undertaken some initiatives, that he had been involved with this activity relating to information that we had seen [redacted] that Colonel North

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had made available to him at the NSC, [redacted] and that he brought with him [redacted] on a man named Manucher Ghorbanifar, along with [redacted] I believe of a man called [redacted] whom he identified as [redacted]

He said he had a good deal of information that he had obtained not only from Mr. Ghorbanifar and others but that he had met with [redacted] and that he had insights into Iranian terrorism, factions within the government. He also started talking about the NSC initiative. Mr. Clarridge, who I believe was getting ready to go to Europe, said well, why don't you meet now with Charlie and give him all the data and let Charlie write it up, and we retired to my office, which was just a couple of floors directly above Mr. Clarridge's office, and he gave me some information which I then recorded in a memorandum, I think dated 18 December 1985.

In that he started talking about the various factions within the Iranian government, and I said this is very confusing. I can't write this up. If you have what you think is unique information, you must go home and develop a coherent statement. I believe he did that and I believe he did it in a matter of a couple of days.

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And he sent that back to the Agency and I don't recall how it came back, but I think it was included as an attachment to my memorandum of 18 December.

He talked also about the initiative and the fact that he had become convinced, and so had Mr. McFarlane, of the need to probe elements within the Iranian government, that he had met Mr. Nimrodi -- and I, of course, by that time had heard of Mr. Nimrodi -- [redacted] He talked about Ghorbanifar. That was the first time I knew that there was a man named Manucher Ghorbanifar.

He talked about, I believe, David Kimche and some of David Kimche's activities. He was quite guarded in his conversation. He did not want to tell me too much, and he claimed, as I recall, that he had not put much of this down on paper but he had restricted his reporting to Mr. McFarlane to sort of oral conversations. But he thought that there was promise to proceed with an initiative towards Iran. He said that Ghorbanifar was a good fellow, praised Ghorbanifar to the hilt.

I put all this into a memorandum. He also talked about the shipment of weapons that had occurred in November. In reviewing my memorandum it is clear that he mentioned HAWK missiles were sent. I had testified earlier, I believe, to the Senate and to the Tower

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Commission that I did not learn that it was HAWK missiles until I met Mr. Ghorbanifar on the 13th of January 1986. It now appears that I did know about it on 4 December 1985. But when we were trying to reconstruct the chronology in November, trying to get Mr. Casey ready for testimony on the 21st of November, I did not recall Mr. Ledeen mentioning HAWK missiles.

I've always testified, however, that by the 26th of November I was fairly well convinced, [redacted] that Colonel North's story that this was oil-drilling equipment was false, that for reasons that I could not understand, I guess -- but I can understand, given Operation STAUNCH -- that Colonel North did not want to tell me that it was weapons being sent into Iran.

I believe that, very briefly, summarizes that conversation. I did take the paper that Mr. Ledeen prepared on the various factions and who belonged to what factions and let [redacted] review it. She thought it was a good paper in some respects. I think she said it added to her knowledge, but it was generally in alignment with her views of how the factions were developing in Iran and each faction had elements within them and some members of one faction would converge with members of other factions.

So it's not an easy situation to assess.

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Q Let me just pursue a few other points. In terms of Mr. Clarridge and his trip to Europe, do you recall where Mr. Clarridge was going on his trip in December of 1985?

A Europe.

Q Do you recall what part of Europe he was going to?

A I don't think he told me. He was off on an operational activity. I'm sure he would have told me if I had asked, but I had no need to know, so I did not ask.

Q Do you today know where it was that Mr. Clarridge actually went?

A No, sir.

Q The Director also was out of pocket during the early part of December 1985. Do you have any idea where he might have been in that period through 7 December 1985?

A No, sir. I don't recall. He traveled frequently.

Q I understand. Do you know if he and Mr. Clarridge met in Europe in the period of the 5th through the 7th of December?

A I don't know, sir.

Q Do you have any knowledge of a meeting with Mr. Ghorbanifar, a person contact with Mr. Ghorbanifar,

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in the first week of December?

A The first week of December?

Q Yes.

A I believe Mr. McFarlane went to London to meet with Ghorbanifar.

Q That would have been the 7th or 8th?

A The 7th or 8th. And they met. Colonel North was there and Colonel North gave me a brief readout when he returned.

Q Do you have any knowledge of Clarridge or Casey having been involved with those meetings in, I believe it was, London?

A No, I have no knowledge of that.

Q Mr. Clarridge's deputy at that time was a [redacted] whose name I am probably mispronouncing.

A [redacted]

Q Do you have any recollection of either briefing [redacted] on what was about on this initiative or the November arms transaction or in any way bringing him up to speed in Mr. Clarridge's absence?

A During the first week of December?

Q Yes.

A I don't recall that. I know [redacted] but I don't recall that. I just don't recall.

Q Let me have you, if you don't mind, identify

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the December 18, '85 memorandum of your December 4 meeting, which I'd like to have marked as Exhibit 17.

(The document referred to was marked Allen Exhibit Number 17 for identification.)

A I recall writing this memorandum and some of the content.

Q In terms of just timing, there was a passage of time, apparently, to the 18th of December until this memorandum was prepared. Were you out of the country during that period of time?

A No, sir, I don't believe I was. But I was busy on numerous things -- estimates, interagency meetings, conducting and coordinating intelligence community priorities on terrorism. I sort of worked on this as I could find time to put it down clearly, and I know I sent a copy of this to Mr. Clarridge and I don't know where else I sent it.

Q That was my next question, and that was the distribution of it.

A A copy went to Mr. Clarridge. I hope I sent a copy to the Director. I don't recall. My secretary might have something on this.

Q Do you recall whether or not it went to Mr. Fuller?

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A No, I did not send it to Mr. Fuller because I was not authorized to send it to Mr. Fuller.

Q Explain that.

A You must remember that this was the most compartmented effort under way of the U.S. Government at that time. The NSC was setting the guidelines on access, and so Mr. Casey within the Agency would not want me to disseminate something this widely.

Q That's what I'm trying to pursue, and let me come at it another way. Ledeen had contacted you and Clarridge in November. He then comes back and meets with you on December 4. Was it your impression that Ledeen was coming to you and Mr. Clarridge under the authority of or with the knowledge of Colonel North?

A I believe he indicated that Colonel North knew he was coming out to talk to us, yes.

Q Was it your understanding that he was giving you a briefing on what he'd been doing at the behest of Colonel North?

A It was not that impression. It was my understanding that Colonel North was the focal point for Mr. McFarlane, but what he was doing as far as the initiative was at the direction of Mr. McFarlane. At no time did he indicate he was taking guidance or direction from Colonel North.

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Q I'm still having trouble, Mr. Allen, so bear with me. He comes to see you and Mr. Clarridge on the 4th of December and he gives you a fairly elaborate discussion of the history of some of the things that you actually were now working on in terms of intelligence gathering.

A And my first top-down view of what might be occurring, although I had made a lot of suppositions.

Q Did he present himself as being someone who was giving you a briefing because Colonel North or Bud McFarlane, for that matter, had asked that you all be briefed?

A I think he said that Colonel North had agreed that he should give this kind of top-down briefing, but he made it crystal clear that his work was for Bud McFarlane, not for Colonel North.

Q You will recall, perhaps, the last time that we talked in the interview that there is a memorandum, November 26 memorandum, McFarlane to Poindexter which basically says that Mr. Ledeen should be taken out of the loop, out of the ongoing negotiations with Ghorbanifar. Were you aware that McFarlane had expressed such a thing at the time you met with him?

A Not at all.

Q That was Ledeen, I'm sorry. You were not

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aware of that?

A No. I had absolutely no knowledge. I did have knowledge that a transition was under way. Mr. Ledeen did indicate to me -- and I don't believe it's recorded here -- that he expected that Mr. Poindexter, as the new National Security Advisor, would not want him to work directly on hostage-related activities in regards to the Iran initiative. He still would remain as a consultant to the NSC on counterterrorism, but that it was clear that there would be a distance between him and John Poindexter.

He still seemed to have the view that John Poindexter did not object to his pursuing the broader geostrategic objective of looking at ways to find steps that could eventually lead, over time, to rapprochement with Tehran.

Q So it was your impression from what you recall Ledeen telling you on December 4 that Ledeen still had the assignment or at least the leave of the National Security Advisor to be involved in an attempt to open a door to Iran; is that right?

A That's my understanding, but not specifically involved in this operation relating to the hostage issues and the specific operational activities relating to dealings with Ghorbanifar and [redacted] It seemed to me

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that Colonel North had the prime job of doing that.

Q But as to what Ledeen's role, function, where he was in the compartment, did you have an impression of that? Did you understand what Ledeen's function was going to be?

A Ledeen stated that, you know, in the future he would not want to talk about the specifics of any activity relating to trying to find ways to obtain release of the hostages, that that was not to be his role, that he would have a broader role of advising the National Security Advisor and others on opportunities for finding political rapprochement with the government of Iran.

Q There is a reference in the memorandum to Ledeen telling you about McFarlane's becoming involved in this matter over a year before. Did he talk to you at all about what McFarlane was doing in late 1984 vis-a-vis an Iran initiative?

A No, he did not.

Q So he didn't go into any more detail on that score?

A No. He was quite guarded in his conversation.

Q There is a reference in the memorandum to Ghorbanifar's prior relationships with the Central Intelligence Agency and that they had been, from his

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perspective, from Ghorbanifar's perspective, bad. Did you explore that any further?

A No, I didn't.

Q As a result of this meeting did you make efforts to determine the nature of Ghorbanifar's prior history with the Agency?

A I don't think I did. I know that information was provided to, as I recall, to Mr. McMahon, who I believe had a search made of the records, and then when he attended the meeting in the Oval Office on the 7th I don't know when this memorandum came forward, but I know that Mr. McMahon told me that he had apprised, I believe, the officials that met that morning of the lack of reliability of Ghorbanifar.

Q At paragraph 8 of your memorandum you say that Ledeen noted that he, presumably Ledeen, would be traveling again shortly to Europe and would be discussing the proposed Libyan operation further with Ghorbanifar. He was hopeful that in the meantime some reaction could be obtained from CIA. Ledeen noted that he had discussed this issue with Oliver North of the NSC, who favors the undertaking of this operation.

In reading that I assume that you were saying that Ledeen told you that he had discussed the Libyan scam, if you will, with Colonel North; is that right?

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A That's what he told me, yes. I discussed that with the Director, who was not enthused.

Q Did you discuss it with Colonel North?

A I believe I did, and he endorsed it. But Director Casey never endorsed it. And also I think Mr. Clarridge had serious doubts and certainly this came up three or four times. Mr. Ledeen, I believe, surfaced it with Mr. George, and he surfaced it with the Director. I don't know whether he ever discussed it with Mr. Gates. And he was quite persistent in this over a period of months, and at no time was he ever given any encouragement by anyone, certainly not by me, that this would be a fruitful effort.

Q That suggests to me that Ledeen was working for somebody, but I'm not sure who he was working for. Was it your impression that he was carrying out -- in terms of he says he was going to go talk to Ghorbanifar, I take it, in December, who was Ledeen working for? Was he working for McFarlane?

A I think he viewed that as part of his activities as advisor and consultant on counterterrorism, that here we had a terrorist state, which is Libya, and on which we have absolutely incontrovertible evidence of continuing terrorist activity against a number of targets, including the West and the United States. And I

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think he felt very strongly that if there was some action that could assist in bringing about a change in the government in Tripoli that would be a good thing, that that would decrease terrorism. Fifty percent of all international terrorism stems from the Middle East.

Q Accepting all that, I am puzzled who you thought Ledeen was working for at this point.

A I don't know. You are asking me to speculate. I'm only saying he was a consultant on counterterrorism and I assumed he felt that was a plausible thing to suggest. I just can't speculate on that.

Q I'm really not asking you to speculate. What I'm trying to find out is what perception you had of whose mandate Ledeen was working under. Was he working as an independent contractor?

A No, sir. He was working, when he met with me and Mr. Clarridge, each time he represented himself as a consultant to the National Security Advisor on counterterrorism.

Q The National Security Advisor, i.e., Mr. McFarlane and then subsequently Mr. Poindexter or Admiral Poindexter?

A That is correct.

Q It was your impression that this memorandum was to be distributed to Clair George; is that correct?

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A I don't recall to whom I disseminated. I know I sent it to the Director, to Mr. Clarridge, who was a division chief in the Directorate of Operations, and where he further disseminated it within the DO, I don't know. I would have to check on the dissemination. There must be a dissemination page somewhere. I don't see it with that copy.

Q And you don't have a current recollection of what the distribution was.

A No, I don't.

Q In terms of the date that you did this, December 18, 1985, just tarrying on that for a moment, the Tower Commission indicates that Director Casey met with Mr. Ledeen on the 19th of December. Do you have a recollection of preparing Director Casey to meet with Michael Ledeen?

A I believe I talked with Mr. Casey at some point prior to Mr. Ledeen meeting with Mr. Casey. I told him that one of the ideas that would be suggested would be the Libyan sting operation, if that's what you want to call it. I don't think Mr. Casey was enthused about it. And also I think each time I met with Mr. Casey, as NIOs do, we talk about a wide variety of subjects. We normally talked at some point during the conversation about this initiative, and I'm certain I told him what I

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knew about Ghorbanifar.

Q You did not sit in on Casey's meeting with Ledeen on the 19th?

A No, sir, I certainly did not.

Q Did you have a discussion with Director Casey about his meeting with Ledeen immediately after his meeting with Ledeen?

A I don't recall. I believe Mr. Casey said that he had discussed it. He had had a discussion with Mr. Ledeen, that he enjoyed talking with Mr. Ledeen, who has a very sharp mind, but I don't recall the substance of that conversation. At no time do I believe that Mr. Casey or anyone else encouraged Mr. Ledeen that the Libyan sting operation was one we were willing to contemplate. Activities relating to the Libyan operation was run by [redacted] at the time, and they had a lot of other ideas other than this one.

And in talking with [redacted] and others about this, and Mr. Clarridge, no one in the DO would engage in this operation, a sting operation of this nature, as long as Mr. Ghorbanifar was an elemeht in that operation.

Q Let me pursue that. Your meetings in December of 1985 with [redacted] or [redacted] do you have a specific recollection of you talking with them about

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these matters?

A I recall having lunch with [redacted], and it might have been in early January '86, where we talked about Mr. Ghorbanifar over lunch, and [redacted] reiterated a view that he has held consistently that involving Ghorbanifar in clandestine operations is not a feasible approach, that Mr. Ghorbanifar is uncontrollable, duplicitous. He made it clear that he was concerned at that time by the NSC's use of Ghorbanifar in this very sensitive Iranian issue.

Q Do you recall that you had discussions of this kind with [redacted] during this period?

A I don't recall that, no. But I'm certain [redacted] shared the same views, because I think you know sometime during the last year we have discussed Mr. Ghorbanifar with [redacted] It's quite consistent with his views on Ghorbanifar.

Q Do you recall having a lunch or a meeting, a face-to-face meeting of some kind with [redacted] relating to his views of either Ledeen or Ghorbanifar in the December 1985 period?

A I don't recall that.

[redacted]

Q There was a meeting that Mr. McMahon had with various people about the Iran initiative on December 5. [redacted] notes on that meeting do not indicate that

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you were present. Do you have a present recollection of attending a meeting with McMahon at that time?

A No, I was not at that meeting.

Q You did prepare a memorandum, I believe, on December 6 on the Iran political scene. Do you recall preparing such a memorandum?

A I recall at Mr. Casey's direction that I prepare something and coordinate it with, I believe, [redacted]

Q Let me first show you a December 6, 1985 memorandum on the Iranian political scene which will be Exhibit 18, I believe.

(The document referred to was marked Allen Exhibit Number 18 for identification.)

First, is Exhibit 18 your work product?

A I believe so. I believe this was worked with [redacted] and drew on works of the [redacted] Directorate of Intelligence.

Q Why did you prepare this memorandum?

A Mr. Casey asked me to prepare it because he knew that I had been looking at this, discussing this with the Iranian desk and with also Mr. Ledeen. He thought that Mr. Ledeen had some useful insights as a result of the material, I guess, which Mr. Ledeen had

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made available to me.

Q In December of 1985 the National Intelligence Officer on the Near East was Graham Fuller, is that correct?

A That's correct.

Q Why were you being asked to deal with matters that were within Mr. Fuller's area of responsibility?

A That's a good question. I probably shouldn't have written it. It was one that Mr. Casey said just you take your own look at this and see what you can come up with, and I did that at his request.

Q Do you have as of today any knowledge as to why Fuller was not included in this matter in early December?

A It was part of an informal memorandum, I see. It's just one that wasn't disseminated, anyway. I gave it to the Director and I assumed he wanted it for his own purposes, and I don't know what purpose he used it for.

Q Do you have a recollection of being told not to discuss these matters with Mr. Fuller?

A No.

Q And in terms of Mr. Casey would be relying on you as opposed to Fuller, [illegible] entitled me on that?

A I cannot. I just don't know. He said, you know, take a look at what Mr. Ledeen is providing, see if

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it coincides with what we think, and I recall showing this to someone in [redacted] probably [redacted] She thought it was good. She made some adjustments to it. I think it drew heavily on some of their analysis as well.

Q In terms of [redacted] boss, who was [redacted] reporting to at that point?

A Well, she was reporting to -- well, [redacted] was the director of the office.

Q Was [redacted] her immediate superior?

A No. I don't know who her immediate superior was, probably [redacted] who was the Iranian analyst.

Q Do you know the extent to which [redacted] was aware of your involvement in these matters in December of 1985?

A I don't know whether [redacted] talked to him or not.

Q In terms of working with [redacted] had you discussed with [redacted] whether or not he was agreeable to you working with [redacted] on these matters?

A I told her that she could discuss it with him, and I told her it was extremely sensitive, and this was sort of an offline type of activity, very unusual, and I don't know whether she did or not.

Q You do not remember clearing with [redacted]

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your discussions of these matters with [redacted]?

A No, I don't recall that.

Q Do you recall knowing that Mr. McMahon was preparing for a December 7 conference at the White House with the President at the time that you wrote this December 6 memorandum?

A No.

Q Was this December 6 memorandum prepared by you to prepare McMahon for such a meeting?

A I don't know. I just gave it to the Director. As far as I can recall, it was something the Director asked for.

Q I understand that. But you're telling me, though, it was not being done by you as a way of preparing McMahon.

A Not at all. Now whether Mr. McMahon used it or not I have no knowledge.

Q You would not have been meeting with McMahon at this point in time, then, to prepare him for a meeting with the President?

A No.

Q I was left with the impression from our prior interview that you debriefed McMahon immediately after his meeting at the White House with the President. Is that impression incorrect?

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A That is incorrect. He told me about the meeting on the 7th of December on the 16th of December, when we I believe were en route to attend a meeting of the Vice President's Task Force for Combatting Terrorism. We discussed it in the car all the way down and we spent most of the time discussing the initiative all the way back.

Q But insofar as McMahon had responsibilities on the 7th of December, he would not have discussed the responsibilities with you contemporaneously?

A No, sir, he did not, I can assure you. He was aware and was seeing the intelligence that was being collected [redacted] He was aware that I was coordinating the tasking on it.

Q Again I'm having trouble figuring out roles here. Bud McFarlane was dispatched to meet with Ghorbanifar and he did that in conjunction with Colonel North in the period December 7-8. Your involvement in that trip was what?

A One of tasking.

Q And when you say that what are you telling me?

A [redacted] I knew that Colonel North was going there; he told me he was. So it was strictly purely a tasking role. [redacted]

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[redacted]

Q Colonel North asked you to [redacted] on Colonel North's trip to London at this time?

A No. On the fact that he would be meeting with Manucher Ghorbanifar [redacted]

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[redacted]

BY MR. KERR: (Resuming)

Q Mr. Allen, so that you understand what we are interested in --

A I guess that's what I need to know.

Q Let me try to focus you on what our interest is because it really does not go to that area.

A Okay.

Q Our interest, or at least my interest, is in direction, instruction, requests that you were getting from Colonel North.

[redacted]

A [redacted]

Q [redacted]

A [redacted]

Q So North was telling you in early December

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1985 that he wanted [redacted]
is that what you're telling me?

A Yes, sir.

Q That suggest to me that clearly you knew North was going to be in London to meet with Ghorbanifar in the period December 7-8; is that correct?

A Yes. He indicated he would be meeting with the Iranian intermediary, yes.

Q And likewise you knew that Mr. McFarlane would be in London for this effort?

A I'm not sure when I learned of that. I may have learned that McFarlane was there when Colonel North returned and said Mr. McFarlane was there. I don't think he told me in advance that Mr. McFarlane was going to London.

Q Again that's what I'm trying to get a sense of. Did you know prior to them going to London that they were in fact going to make that trip to London?

A I knew Colonel North was. I cannot recall being told in advance that Mr. McFarlane was going.

Q And when you say you knew that from Colonel North, did you know from Colonel North the purpose of the meeting in London?

A As I understand it -- and this was after he returned -- the objective of the meeting was, following

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this rather serious debacle that had occurred in late November, was to have one final exchange with the Iranians to determine the feasibility of whether there could be continuing contact, whether there could be an opening determined with the Tehran government, and whether the hostage problem could be resolved as an impediment to the opening of those relations. That was my understanding of the meeting.

Q And you have had that understanding --

A After the meeting occurred.

Q After the meeting occurred?

A Yes.

Q And you had gotten that understanding because of conversations that you would have had with Colonel North after the meeting?

A That is absolutely correct.

Q Okay. Thank you.

Now from the Tower Commission report we know of a memorandum that Colonel North wrote on this meeting in which he talks about a number of things, but one of the things he talks about is utilizing General Secord as a conduit in this initiative. At this period of time, December 7 and 8, 9, 1985, were you knowledgeable of General Secord being involved in this matter?

A As a conduit to the Iranian government?

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Q Um-hum.

A I was not aware that he was going to be used in a sense as a conduit or a negotiator. I was aware that an individual named Copp in the November time frame, the week of November 21, was in [redacted] and that he was somehow involved in assisting in the shipment that occurred the weekend of 24-25, and I later was able to decipher from Colonel North's comments that the man named Copp was really a man named Major General Secord, whom I had not heard of previously, to the best of my recollection.

Q What I'm driving at is that as of December 7, 8, 9 --

A I was not aware that he was involved as a conduit or a negotiator or that a proposal had been made that he would be a negotiator. As far as I can recall, to the best of my recollection, I don't think Colonel North said anything about General Secord at that time.

Q So you were not witting, so to speak, of General Secord's function in these matters in early December?

A That is correct, not in the sense of being a negotiator between the United States and Iran. I knew that there was an individual named Copp who was in some way involved in logistics, movement of equipment to Iran.

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Q I think I understand what you're telling me, but let me just pursue it one step further. Copp was the name that you knew. Copp's identity as Secord you did not know.

A I'm not sure when I learned that Secord was the equivalent of Copp.

Q My impression is, from what you have been telling me, that Colonel North during this period of time would go to various people in the government and ask them to do certain specific narrowly-defined things for him to assist him, and in that sense he made use of you; is that correct?

A That's my impression, that, as with many sensitive operations, you frequently compartment it. You utilize various people for various purposes. He utilized me for the collection tasking coordination, which was not an unusual [redacted], since NIOs -- it was unusual in the intensity, duration and specificity of the task. Normally NIOs task on a more generic basis, but because [redacted] he had confidence in me, because he had known me for several years and knew I had [redacted] discretion on security matters, I think that's the reason he had to turn to someone that he could trust.

I had a thousand other duties. It was an extra burden for me and took away a lot of nights and

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weekends from my family, but I did it because Colonel North said it was important and the Director and Deputy Director endorsed my activity.

Q What we're trying to do to some extent, though, is come to an understanding of --

A How he compartmented?

Q Exactly.

A He did a very good job of it, I think.

Q So he would not have shared with you how what you were doing fit into a grander scheme, if you will?

A That is correct -- not in all its ramifications. It was clear from the meeting that occurred. He told me after he returned from London that McFarlane was there and that he and Ghorbanifar had not had a meeting of the minds, and it was not a good scene. Colonel North was unhappy that McFarlane was not more positive toward continuing the initiative. I do recall that.

Q And it's in that context --

A Let me just continue. Later on, after the Presidential Finding and after I certainly became aware and after Mr. Cave and I worked every day together -- I had many other duties but Mr. Cave tended to work out of my office -- I was cognizant of broader aspects of the operation. But up until the Presidential Finding Colonel

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North kept things highly compartmented and I think that's the way in some operations you have to actually function if you want to keep absolute security.

It didn't bother me so much so long as the Director approved it.

Q Fine. What I'm trying to determine is the extent to which you would have been apprised by Colonel North of the broader implications of what he was doing at this time, and what you're telling me is that you would not have been brought into this program at that level of generality; is that correct?

A Only in a general sense. I knew clearly what was being involved, that we were trying to open a relationship. I felt that Mr. McFarlane was trying to open a relationship to Iran, that he had given the activity principally to Colonel North to bring focus to the activity, and that Colonel North was very sensitive to the hostage issue and that tactically he felt before geostrategic relations could be accomplished that there had to be this preliminary obstacle, that the American hostages in Lebanon had to resolved.

And it became a question, and that's one thing where I did get involved and where I did have substantive responsibility, was trying to evaluate the degree to which elements within Iran had control over the captors.

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I've spent a lot of time over the last year writing about that, convening analysts to talk about that, and we still have a dispute within the intelligence community over the degree to which Tehran can control the elements holding the American hostages.

Q Okay. Again, bear with me on where I'm trying to come from here. One of the things that North is mentioning in a memorandum that he writes on December 9 is a whole host of things about the arrangement. He's trying to spell out to Poindexter in a memorandum at that time a variety of things that are going on. One of the things he mentions in that memorandum to Poindexter is what he describes in the memorandum as a kickback arrangement.

I take it from what you're telling me you were not aware of a kickback arrangement at that time?

A I knew nothing of the financing.

Q So your function in this arrangement, as you are describing it, was narrow, limited, compartmented, confined.

A At that period of time, and I knew absolutely nothing about the cost of the weapons or what commissions were being earned by Iranian intermediaries, what officials in Iran were paying for any of this equipment. I had absolutely no knowledge.

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Q And in terms of the system, the scheme, the program, that was not something Colonel North discussed with you in this period of time?

A Not at the time, not in any depth. It was clear that weapons -- it appeared that Israeli weapons were involved, at least during this time frame, were being sent with at least the concurrence of the United States in some respect -- I'm not certain what -- to Iran, and that out of this was to come a release of American hostages.

He spoke frequently of the need for broader relations with Iran. He at that stage, I thought, had some strategic ideas that I am sure Mr. McFarlane had impressed upon him. But detailed, you know, how much equipment was shipped, what equipment was shipped, what did the Iranian intermediaries charge the Iranian government, until I met with Mr. Furmark, I guess in the October-November time frames, I think that's when I had a broader view of the actual costing, although I'm sure you'll get into questions of cost because I started becoming aware of the cost [redacted] in the June-July time frame.

And that's when suddenly things seemed to be going awry. I was quite surprised over that, plus other indicators which I've testified to. By late August of

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1986 I was worried that things were amiss.

Q But so we don't lose focus here --

A I don't want to lose focus. I wanted to say when I became aware. Back in that time frame, Mr. Kerr, I just want to tell you I was so focused on hundreds of other things that this was an extra duty, took an extra hour or two, took a lot of weekends. Every time [redacted] I came in, whether it was 3:00 a.m. or 2:00 a.m. to read the darn thing, then had to either stay at the office and work on it. So it was a very exhausting and onerous duty, in fact.

Q Let me back out so we can come into focus. What I'm looking at right now and what I'm interested in is the decisionmaking process that's going on in December of 1985 and I'm trying to identify the players and roles. Your role in December of 1985 is to help Colonel North [redacted] essentially gathering of information.

A [redacted] tasking [redacted]

Q What I am interested in is the evolution of a decisionmaking process in this period of time and what I see as a meeting on the 7th of December that McMahon

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attends with the President, which results in McFarlane going to link up with North and Ghorbanifar in London. You knew that they were going on that trip, but you really didn't know why.

A I knew that Colonel North was going. I don't recall that I knew Mr. McFarlane was going. It was to discuss the fallout that had occurred after what Colonel North had described as a very disastrous meeting in Geneva, and he was bitterly disappointed, very downcast, and he came back and was still not happy with the results of that meeting, because I believe Mr. McFarlane had expressed serious doubts about the wisdom of continuing the effort through Mr. Ghorbanifar.

And I assumed at that stage that the initiative probably was dead and I ran into Colonel North a few days later, I believe at the Department of State, and he indicated that the initiative was back on.

Q You're going to lose me if you move too fast. Where I am is London, December 1985.

A The seventh.

Q Right. And at that point you're trying to help Colonel North [redacted] correct?

A That is correct.

Q And we're talking about a bracketing of

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Presidential meetings at this point. There is a meeting that McMahon has on the 7th of December that he attends. There is another meeting that apparently occurs on the 10th of December that Casey attends. I need to know the extent to which you were doing the kind of staffing work that CIA does of helping McMahon get ready to meet with the President on the 7th and then helping Casey to get ready to meet with the President on the 10th of December.

And I think what you're telling me is that you really were not playing a staffing role to McMahon or Casey in that period of time.

A To the best of my recollection, I did not assist either in preparing them for the meetings on 7 and 10 December.

Q So in terms of what they were telling the President and how they were reacting to what the President was doing, you can't help me with McMahon and you can't help me with Casey in this time frame; is that right?

A Not in that time frame.

MS. DORNAN: I'd like to follow up on North's reaction to the London meeting. Even though he thought the meetings were disastrous, why was he then disappointed with McFarlane's negative reaction? What made him think the initiative should continue?

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THE WITNESS: What made --

MS. DORNAN: North.

THE WITNESS: I really don't recall. He felt that he was convinced that a release had occurred of Reverend Benjamin Weir, that Mr. Ghorbanifar did have extraordinarily good contacts in the Iranian government, regardless of the fact he wasn't very controllable, that this was our only link to continuing efforts to free the hostages, which Colonel North thought was a worthwhile objective in itself.

And also Colonel North, regardless of what is said in the press, did have a broader view of the problems of southwest Asia and the political vacuum that exists between the U.S. and Iran. He was just disappointed. He said that Ghorbanifar had represented himself well at that meeting and stated that the United States needed to find ways to get closer to the Iranian government because he was fearful that radical elements which he considered pro-Soviet -- and indeed many of them are pro-Soviet -- might become predominant.

And I recall some anguish on the part of Colonel North upon his return. But then later -- I don't want to get ahead of Mr. Kerr -- he indicated that the initiative would proceed, and that could be after the 10th of December.

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BY MR. KERR: (Resuming)

Q Your conversations with North upon his return on the 9th of December would have taken place at that time, the 9th of December?

A About that time. He had just returned.

Q And you would have talked to North face to face?

A Yes.

Q Face to face?

A In his office.

Q Who would have been with you at the time you met with North?

A There was someone else with me.

Q Do you know who it was?

A No, sir, I don't.

Q The context that you were dealing with North was what? What were you talking to North about? Why were you there?

A I think it had to do -- I don't know. I don't know. I don't remember. I talked with North about many counterterrorist activities. I assume it had to do with some other -- I don't think I went there just to get debriefed on this trip because he could have told me that on the telephone.

Q You were not or were you -- when you met with

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him, would it have been the 9th of December?

A Around that time. He had just returned, and don't hold me to a specific date, please. But he had just returned.

Q And the conversation that you had with him about the meeting in London would have been just a passing remark, a glancing blow?

A No, it was a serious conversation for a period of minutes where he indicated he had met at some home -- and that was when I learned that McFarlane had joined him -- and that the conversation had not gone as well as he expected and that Mr. Ghorbanifar had expressed anguish that Mr. McFarlane was backing away from the initiative, that he was condemning Iran to possible Soviet penetration in future years.

And the Colonel was tired and disappointed.

Q Were you aware at the time that you met with Colonel North, when he told you these things, that Casey would be meeting with the President to also discuss and review what had happened in London?

A No, sir. Colonel North did not indicate to me that he knew such a meeting was to take place.

Q And Director Casey likewise had not advised you or talked to you about a meeting that he was going to have with the President?

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A To the best of my recollection, Bill did not talk to me about it.

Q Again, just to try to move things into focus, let me show you a memo which I gather from what you're telling me you probably didn't see. It's Bill Casey's memorandum of 10 December directed to the Deputy Director, Mr. McMahon, which will be Exhibit 19.

(The document referred to was marked Allen Exhibit Number 19 for identification.)

I'd like you to look at Exhibit 19 primarily for the purpose of trying to focus your recollection on what you would have known about events at the White House on this Iran initiative at this time.

(Pause.)

A I have never seen the memorandum until now. The first paragraph, McFarlane's impressions of Ghorbanifar, coincide with what Colonel North had stated. I don't recall Director Casey talking to me about this meeting of 10 December, although I did hear him say at some point that it was hard to constrain the Israelis, that they would tend to proceed in some way regardless of what we do to constrain them in [redacted] arms to Iran.

[redacted]

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Paragraph 3, Colonel North raised that at the Operations Subgroup meeting of the TWIG, [redacted]

Q Okay. Mr. Casey's memo suggests to me that at this point the Iran initiative was at low ebb.

A Yes, sir.

Q But that Bill Casey thought that something still might turn up.

A And the President was still essentially in favor of trying to find something, and that's precisely what Mr. McMahon told me on the 16th.

Q That's precisely what he told you on the 16th, and you've hit a time window which is very important to me, which I want to try to focus you on. It looks to me like on the 10th of December a lot of people thought things were at low ebb, yet we know they come back to life. What I want to know is what you knew from talking to North at that point about where things stood.

A Well, after I talked to him at the White House in his office I accidentally, and purely accidentally, ran into him in the Department of State just at the

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entrance, the C Street entrance, shortly after the 9th or 10th of December. And he smiled, and I said, you're smiling. I said I thought everything was off, [redacted]

And he said the initiative is back on. He said there has been a discussion with the President and that the initiative will continue. [redacted]

Q What, if anything, did you learn at this conversation or from any other circumstance that caused the change, the shift?

A He indicated there had been a discussion in the Oval Office.

Q By whom, with whom?

A He didn't say. He said he had been in attendance, I believe, and that the President had approved of continuing to utilize -- I shouldn't reach. I don't recall whether he said that the Israelis would continue to be involved or not. He just said the initiative would continue. It was a brief conversation,

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but Colonel North's attitude and outlook was quite different.

Q And the contrast is between your impression of his attitude as of 9-10 December and something which had occurred a few days later?

A Yes, sir.

Q And it turns out what precisely had caused the change? You don't know what it was?

A Except that he stated the President had approved continuing the initiative, the President of the United States.

Q Now let's go to December 16 and a meeting with Mr. McMahon. Again, your recollection is that you met with McMahon and had some discussion with McMahon about the status of the Iran initiative; is that correct?

A I was traveling with Mr. McMahon because Mr. Casey was not available to attend the Vice President's meeting with Agency heads on the report that he was submitting to the President on steps that must be taken to improve our counterterrorist strategies and programs. So I rode with Mr. McMahon and we talked on the way down and on the way back about the Iranian initiative.

He did not, to the best of my recollection, talk about any meeting the Director had had on the 10th of December, but he talked about the meeting he had

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attended in the Oval Office on the 7th of December with the President, Secretary of State, I think the Secretary of Defense, McFarlane.

He stated that he had expressed serious reservations, I believe, at that time about Ghorbanifar, about the intermediary involved, concern over the Israeli involvement.

Q You lost me for a second. You said that he expressed reservations about Ghorbanifar and then you said and the intermediary. Are we talking about the same person?

A The intermediary involved, the Iranian intermediary involved.

Q That would be Ghorbanifar?

A Yes. And that the conversation had gone on, if I recall correctly, for an hour and a half, which was an extraordinarily long discussion. He seemed displeased. He said that Kimche was involved, Schwimmer was involved. He felt -- he didn't say so in so many terms, but I gained the impression that he felt that the Iranians were trying to unduly influence the United States in this regard and that hostage issues had deeply affected the President.

He spoke very respectfully of the President, said that the President was very strong in the meeting.

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And it was his impression at that meeting that the initiative would continue.

Q And again he is still talking about the December 7 meeting?

A Yes, sir. He did not, to the best of my knowledge, ever mention the 10 December meeting. He said that he told the President that if it was important to continue the initiative that the Agency would support the Executive Branch and the President, as is the Agency's duty to do so, but that a Presidential Finding was absolutely necessary.

Q Did you apprise Mr. McMahon of the fact that you had met with Mr. Ledeen on the 4th of December?

A I think I did. I think I said Mr. Ledeen had indicated that Kimche was involved and that this was an operation utilizing the Israelis. Also, I think I probably apprised him that Mr. Ledeen had sort of been put to one side by Admiral Poindexter, that Admiral Poindexter at this stage, as I recall, was taking over as National Security Advisor.

But we did not dwell on the conversation with Mr. Ledeen. We talked at great length about -- he asked a lot about [redacted]

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[redacted]

He said who is Battery, and at that stage I said I believe that that refers to the Vice President, but actually it's a code name used by Colonel North, that there had been an agreement by someone at the White House that somehow Ghorbanifar would be led to believe that somehow the Vice President himself was behind the initiative, and, to the best of my knowledge, Ghorbanifar never met with the Vice President and this was simply sort of a ploy to push Ghorbanifar harder to make it succeed.

Q As of the time of this December 16 conversation that you had with Mr. McMahon, did you know that Director Casey would be meeting with Mr. Ledeen subsequently on the 19th of December?

A I knew that Mr. Ledeen was seeking an audience with Director Casey.

Q Did you discuss that with Mr. McMahon?

A No, sir, not to the best of my knowledge, I didn't.

Q Did Mr. McMahon indicate that he was familiar with or knowledgeable of Mr. Ledeen?

A I know at some point he mentioned Ledeen, but I don't know that there were any comments in that particular time frame. I know that he had some concerns

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over Mr. Ledeen's role, but I don't recall --

Q Do you remember what those concerns were?

A That here was an individual, very bright, extremely able, but he felt that perhaps he was too single-minded in his pursuit of this and that he was exceedingly close to senior Israeli officials.

But I want to make it very clear for the record I don't know that he said that during that conversation. I don't know he said that at all.

Q Can you place the subsequent --

A I can't. I really can't, and it wouldn't be fair for me to speculate.

MS. DORNAN: Did you get a feeling at this time that there were any differences between Mr. Casey and Mr. McMahon [redacted] this [redacted]lative?

THE WITNESS: I think Mr. Casey was more sanguine [redacted] the [redacted]ntial efficacy of the initiative. I believe that Mr. Casey believed that the President could ride out any firestorm that could develop. He said to me once, who is going to condemn the President of the United States for trying to save Americans held in severe captivity under severe conditions in Lebanon?

[redacted] Of course, at [redacted] it was my impression that he did not relate that to something involving diversion of funds to Central America. He was putting it

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only in the context of Iran. Let me just finish, if I may, please.

He spoke frequently about the need to find a way to eventually have closure with this government of Iran to try to check the spread of Shia fundamentalism, which he felt was a great dynamic change in the Middle East, particularly in Lebanon, potentially in some of the Gulf states. He spoke very broadly of those very grave problems of national security.

MS. DORNAN: Did you receive the impression that Mr. McMahon attempted to influence Mr. Casey on this?

THE WITNESS: I don't recall Mr. McMahon speaking about Mr. Casey's view of this. I'll think about it, but at this stage I can't think of it.

BY MR. KERR: (Resuming)

Q Let me move you a little further ahead. We've talked about the December 19 meeting between Mr. Casey and Mr. Ledeen. You at no time, I take it, spoke to Casey about what transpired at his meeting with Ledeen on the 19th of Decem[redacted]

A I think I did. I think at some point Mr. Casey told me, after the 19th meeting, that Mr. Ledeen had indeed proposed this Libyan sting operation and that it just wasn't going to happen, [redacted]

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[redacted]

Q Do you have a recollection or knowledge of the role Ledeen played in the decision that Mr. Casey made to instruct the Near East Division of the Operations Directorate to do further evaluations of Ghorbanifar?

A The role that Mr. Ledeen played?

Q Yes.

A I don't know precisely. I know that in the January time frame, after Mr. Ledeen, I think, learned that Ghorbanifar had miserably failed the polygraph that he was in touch with Mr. Casey and that was when Mr. Casey called me one morning on secure and told me to move out and cancel my appointments and go meet with Ghorbanifar.

Q Let me sharpen up the focus. On December 20, according to [redacted] and others in the Near East Division of Operations, Mr. Casey did indicate that he wanted the Operations folks, specifically the Near East Division, to engage in a further evaluation of Mr. Ghorbanifar.

A I've read the chronology.

Q In terms of how that came about, you are not really sure what caused Casey to do that?

A The only thing that I know, I knew that Mr.

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Ledeen was to see Mr. Casey, and each time Mr. Ledeen met with me or Mr. Clarridge or anyone else he always praised Mr. Ghorbanifar, and I anticipated that he would strongly urge that Mr. Casey endorse Mr. Ghorbanifar's efforts. So it's no surprise whatsoever.

Q The date that [redacted] gives for when he was first told to get in touch with Ledeen to try to set up a meeting with Ghorbanifar is December 20, 1985. According to the Director's records, that same day, December 20, 1985, General Secord met with Director Casey.

Do you have any knowledge of what transpired at such a meeting on December 20, 1985, between General Secord and Director Casey?

A Absolutely none. I wouldn't even have recognized Mr. Secord if I'd seen him.

Q When did you first meet, if you ever did, General Secord?

A 29 January 1986.

Q So prior to the January 29 meeting that we'll come to, you had no acquaintance with him at all?

A I did not know General Secord.

Q You knew him by reputation, newspaper clips? You had some familiarity?

A No, I didn't. I worked in Defense, but I didn't recall General Secord. He apparently is a very

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bright officer who was headed for four stars but didn't quite make it.

Q In that regard, General Secord's involvement in the Wilson matter, that was not something that you were conscious of in December of '85?

A No. I was not conscious at all of it. I read Manhunt by Peter M[redacted] in the summer of '86.

Q But December '85 that was not something that you had a conscious memory of?

A No. I tried not to read about Ed Wilson.

Q And the reason you tried not to read about Ed Wilson is what? It was just a disagreeable matter?

A I never knew of him, I never met him. I never met him or Mr. Terpil, and I thought it was a bloody disgrace, so I had no interest in that case.

Q Now let me move you again -- we are inching along here -- December 21, 1985, [redacted] apparently got ahold of Mr. Ledeen to set up a meeting which took place on December 22 of Ledeen, [redacted] Ghorbanifar, Colonel North comes by, and the like. Did you know contemporaneously? Did you know December 21, 22, 23, that these meetings were taking place?

A No, sir. No one apprised me of them.

Q And as to the December 22, 1985 meeting, you had no contemporaneous knowledge of that meeting taking

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place at all; is that right, contemporaneous? You might have known later?

A What was the date?

Q December 22, 1985.

A No, sir, I did not know it was occurring.

Q There was a meeting on December 23, 1985, apparently attended by Director Casey about [redacted] impressions of Ghorbanifar. You were not aware of a meeting taking place on the morning, that is a Monday, of December 23?

A No, sir, know nothing about it.

[redacted]

Q I understand. There was a meeting that you had with [redacted] and Colonel North on Christmas Eve, the 24th of December.

A That is correct.

Q There was nothing about that meeting -- the reason I'm curious, [redacted] is involved later on, as you know, [redacted]

A No, sir. I met with Colonel North and [redacted] to discuss one part of the Vice President's Task

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Force for Combatting Terrorism. That was very sensitive but had nothing to do with the Iranian initiative.

Q Let's go to the meeting at North's office on the 24th of December 1985. During the course of that meeting apparently there was some mention by Colonel North of the Finding or something that you all took to be the Finding. Can you give me again your best recollection of what transpired in that regard on the 24th of December, 1985?

A At some point, I think at the beginning of the conversation, before we began to discuss the other matter, Colonel North thanked [redacted] for some of the work that had been under way by Mr. Sporkin and other members of the Office of General Counsel on a Finding relating to the Iranian activity, and he wanted [redacted] to convey his thanks back to Judge Sporkin.

I think [redacted] indicated that some work was under way at that time and Colonel North made a cryptic reference to the effect the President has signed one Finding. There's only one copy, and it's locked in my safe. [redacted] took that to mean that that was a Finding that was prepared after the 24-25 November flight into Tehran and that it would sort of be retroactive and, I guess, covered future activities. I had not seen the Finding even in draft.

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But then we passed on to discuss other matters and that was about the extent of the conversation. And reconstructing the chronology of that and when we were trying to do the chronology in the November 1986 time frame, [redacted] visited me and he had forgotten about that, but then he recalled it and actually found a draft of the Finding in his safe, and he then, as his memory was refreshed, even in my presence said that he thought it could have been a Finding that had been sent to the White House by the Director in early December '85.

Q Let me just block out the Finding process. There has been a suggestion by [redacted] that she thought possibly you and Mr. Clarridge had been assigned responsibility by Mr. McMahon, which we talked about the other day. You have no further recollection of that assignment other than what you testified the other day, which was that you had none; is that right?

A I have absolutely no recollection that I had any responsibility to pursue that Finding, which I had sort of heard rumors was being prepared, to pursue it with Colonel North or with even people like Admiral Poindexter to ensure that it had been signed. I don't think that that was my responsibility. That's the responsibility of the General Counsel, as I see it.

Q Just to nail it down, there is a reference in

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[redacted] notes of December 5 for Mr. McMahon that he had been told by somebody -- there's a suggestion even that it was [redacted] --

A I'm sorry. Who?

Q [redacted] There's a reference in the note to [redacted] possibly being the source of the information on the 5th of December that the Finding had been signed. Again, you have no recollection of knowing that early, December 5, of a Finding being signed by the President; is that correct?

A I don't have any recollection at all. I have no knowledge of it being signed on the 5th. [redacted] if I can clarify what you're saying, has testified or has written a memorandum which said that Mr. Clarridge and I, she thought, were possibly responsible to pursue with the White House this Finding to ensure it was signed.

I have no knowledge of that whatsoever.

MR. WOODCOCK: I don't think it's a memorandum. Chuck, is it in that memorandum?

MR. KERR: No. As a matter of fact, the memorandum is under, what it says is that under the heading of what [redacted] was talking about, then there's a subsequent note of December that says McMahon doesn't know who said these things.

MR. WOODCOCK: I think just to make the record

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clear, I don't believe that [redacted] comments were ever -- with respect to the possible tasking of Mr. Allen and Mr. Clarridge to find out whether the Finding had been signed was ever memorialized in a memorandum. Those were simply oral comments.

BY MR. KERR: (Resuming)

Q So we don't further confuse matters, the bottom line is that you simply have no recollection of being involved with the responsibility in December 1985?

A I have a lot of responsibilities, but making certain the President signs Findings is not one of them.

Q One last passing note on the Christmas Eve meeting with Colonel North. Do you recall being aware that Colonel North had met just prior to meeting you with certain Israeli officers [redacted]

A Yes, sir.

Q Do you have any knowledge of discussions that Colonel North would have had with those officers? Do you know what he was talking to them about?

A I think he was talking to them about hostage issues. I just briefly was in the office just as they were leaving. It was Colonel Moshe Zur and General -- you'll have to help me; I know him. He is retired now. Oh, General Yuri Simhoni and Colonel Moshe Zur. [redacted]

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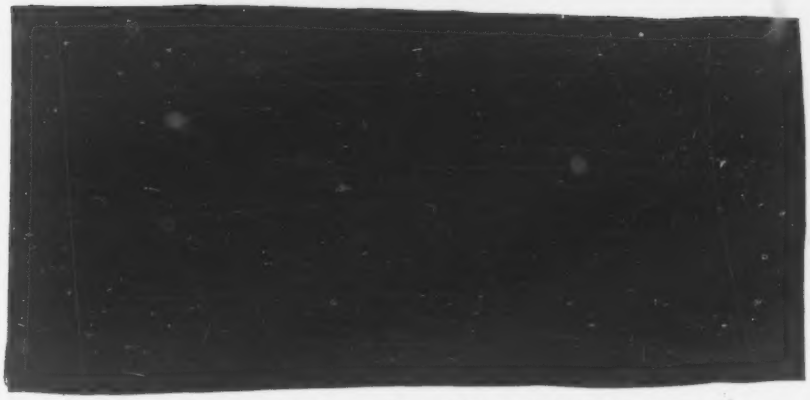

Q Do you have any knowledge of discussions that Colonel North would have had with these two Israeli officers relating to Mr. Ghorbanifar that evening?

A No, sir, none at all.

Q With regard to Mr. Ghorbanifar, you became aware that a polygraph of Mr. Ghorbanifar was in the works at what point in time -- December '85, January '86?

A Sometime in January, I believe. Someone mentioned that that was occurring but I can't recall the precise date.

Q Do you recall who mentioned it to you?

A No, I don't. I do recall that the first specific recollection I have was in January when the Director called me.

Q Your relationship with Mr. Ledeen as of that period of time was what? Had you developed any kind of

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social relationship with him?

A No. I did not know Mr. Ledeen. I had never met his family or anything.

Q Had you been to his home at that point?

A No, never been to his home.

Q At any time?

A Never prior to 13 January.

Q And in terms of meeting with Mr. Ghorbanifar, had you met with Mr. Ghorbanifar prior to 13 January 1986?

A Never. What date is the 13th? That's a Monday? I think I had met him on Sunday afternoon briefly at Mr. Ledeen's home. He had asked me to come over socially.

MR. WOODCOCK: January 13, 1986 was a Monday.

THE WITNESS: Okay. I met him on the 12th.

BY MR. [redacted] (Resuming)

Q The Sunday?

A For about an hour, so that was the first time I'd been to Ledeen's house.

Q With regard to the memorandum prepared by the Operations Directorate on the meetings that [redacted] had with Mr. Ghorbanifar and others, did you have occasion to review that memorandum at that time, during that period of time?

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A The morning of the 13th of January, prior to meeting with Mr. Ghorbanifar?

Q Yes.

A I don't think so, not to my knowledge.

Q Have you ever reviewed the memorandum that was prepared of the December 21, 22, 23 meetings?

A Which involved the polygraph?

Q This is prior to the polygraph.

A No, I don't think so.

Q Let me show you a memorandum referring to those meetings, which will be Exhibit 20. That was prepared by the Chief of the Near East Division on the meetings, which we now know to be by [redacted] with Ghorbanifar on December 22, also with Ledeen.

(The document referred to was marked Allen Exhibit Number 20 for identification.)

Could you look at that memorandum, Exhibit 20, and tell me if you've ever seen it before?

(Pause.)

A No, I don't believe I have ever seen that prior to this moment.

Q At any point in time have you had occasion to meet with [redacted] and discuss with him his impressions of Messrs. Ledeen, Ghorbanifar, North which

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are related to some extent in this memorandum?

A Have I discussed --

Q Any of these matters with [redacted] --

A That are mentioned in this?

Q Correct.

A Well, let me read the memorandum, I guess, first; then let me respond.

(Pause.)

I have not seen the document before. I had met with [redacted] I know with [redacted] I don't think I've ever discussed the specifics of this document. We have discussed -- and I can't recall when these conversations occurred, but certainly in the winter and spring of calendar year '86. I think there had been comments to the effect that Mr. Ledeen seems to have an undue admiration of Mr. Ghorbanifar. This paragraph dealing with overcharging the Iranians and that $200,000 had been used to support Ghorbanifar's political contacts inside Iran, that's very new information. I've never heard that from anyone.

Q That's one of the points I wanted to visit with you. You don't recall having discussed with [redacted] this specific information?

A In this specific paragraph. No one ever mentioned it to me from anywhere in the Agency, and

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neither has Mr. Ledeen, I might add. That's the type of thing that would stand out in one's mind.

Q I want to ask you a series of questions. Rather than do it piecemeal, let me show you a cable from the late December period of time, and the cable, my impression is, seems to relate to information that you developed at your December 4 meeting with Ledeen and clearly makes reference to what was then the anticipated lie detector test that was going to be taken of Ghorbanifar.

I want you to look at it not simply to familiarize yourself with the fact that it went out and to tell me whether or not you knew about that, but because it suggests to me that there must have been or there may well have been discussions between you and Operations personnel during this period of time on the information that you and they had gathered from Ledeen and Ghorbanifar.

So if you look at it, again kind of a way of refreshing your memory on the events, and then maybe you can tell me if you recall discussions that you would have had with Operations personnel on Ledeen, Ghorbanifar contacts in December of [redacted]. This will be Exhibit 21.

(The document referred to was marked Allen Exhibit Number 21 for identification.)

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for identification.)

A This went out on 27 December 85.

Q Correct. I don't know if this document will be of any assistance. This is the decoding of identities which seems to relate to that cable. We'll mark that 22.

(The document referred to was marked Allen Exhibit Number 22 for identification.)

You've got to forgive me on that, Mr. Allen. The Tower Commission said it was having trouble tracking what really happened in December of 1985, which has inspired me to try to figure it out on my own.

A Well, there was some information passed to me by Mr. Ledeen, [redacted] as you recall, and there was information that [redacted] and that inspired, I think, some [redacted] activity, I believe while Mr. Clarridge was in Europe, because I think I was talking to [redacted] One of the reasons I was interested in checking this out was to see if this guy Ghorbanifar really had any information at all of any value, and I

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remember Mr. Clarridge came back and we talked briefly about the information that had been provided by Mr. Ledeen, which he had obtained from Mr. Ghorbanifar, and Mr. Clarridge said something's going on [redacted] but we can't figure it out.

[redacted]

Q Let me just kind of break it down. Mr. Clarridge apparently was out of pocket and the information we have apparently was [redacted]

A He was [redacted]

Q The last two weeks in December.

A Sir, I take back my original statement. I know he went [redacted] because we talked about this information when he returned and he said he had been [redacted] and had talked to [redacted] about the information.

Q Taking it a step along, it appears to me that at least some of the information that you had developed on your December 4 meeting with Ledeen had been passed to Operations.

A Yes. I made that immediately available. I

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think Mr. Clarridge was leaving that day for Europe. I gave it to [redacted] I said I think you ought to send this sort of [redacted] to Europe to make sure Mr. Clarridge sees it, and see if [redacted] obtain any verification of this information.

Q Now Clarridge comes back, from what I gather, in mid-December from his trip. It was apparently an eight to ten-day trip [redacted]

A Yes, sir.

Q You would have then talked to Mr. Clarridge at that point when he came back?

A I believe I did, briefly.

Q And at that time -- and again we know your memo was December 18, so you would have had a writing in mid-December which went through in some detail your meeting with Ledeen -- you would have shared that information with Mr. Clarridge; is that correct?

A Yes, sir.

Q Can you tell from this cable whether this was generated through the good offices of Mr. Clarridge or him in conjunction with the Near East people as well?

A I believe this must have been -- I'm sure it was signed off on by the Near East people. It looks like some of this I did not obtain. When you get over here to page 3, that clearly was [redacted] and others

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collecting. It appears, looking at this, I would assume that -- we don't have the originating office, but it certainly was coordinated carefully between the European Division and the Near East Division. Those things are highly coordinated.

Q Looking at the references at the top --

A It would be the Near East Division [redacted] that had put it together and clearly the European Division shared the information that Mr. Ledeen had provided or they may have actually made a contribution in the preparation of the cable.

Q Can you now, with that again as a way of focusing your recollection, tell me if you have a recollection of discussions that you would have had with Near East Division personnel, either [redacted]

A I didn't discuss this information with either of them. I do recall, I believe [redacted] said that something might be going on, but I remember clearly Mr. Clarridge saying that [redacted]

Q Is it fair to say that one can at least draw the inference from this material in this cable that at least portions of the materials that you developed in your December 18 memo from your December 4 conversation

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were being circulated through the Operations Directorate in December of 1985?

A I don't know. Well, I would assume that, yes, some of the people had seen that memorandum in the Near East as well as the European Division. The European Division got a copy immediately.

Q All right. But in terms of meetings or oral communications, you simply do not have a recall of having such discussions with the Near Eastern people?

A Not in the December time frame in reference to the specific types of requests from headquarters to the field to look into certain activities.

Q Now let me go another step. In your testimony to the Tower Commission you apparently told them that you had an understanding that Mr. Nir had come to Washington, D. C. in December and been briefed by Colonel North on December 23 on the Iran initiative. Do you recall telling the Tower Commission that?

A I think he was here about that time frame. You know, I believe that Mr. Nir became involved right in the December-January time frame, and I remember Mr. Nir made a visit to this country [redacted]

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[redacted]

Q Let me read the excerpt from the report, because what I really want to get a flavor for is the extent to which you knew that Nir was being apprised of U.S. thinking, if you will, as a result of the McFarlane visit in December. The excerpt from the report says: Charles Allen told the Board that he understood that Nir came to Washington in December and North briefed him on December 23 "on this initiative" -- that is, on the program in light of McFarlane's meetings in London. And there's a reference to your transcript.

In late December Allen gave the NSC staff a copy of the August 1984 CIA burn notice on Ghorbanifar to the effect that he was a fabricator. And then there's also the reference to the North meeting with General Simhoni and Colonel Zur on the next day, December 24.

And with that way again of focusing your recollection, can you tell me what you knew in late December about the Israelis, North and the Iran initiative?

A That throws a lot of sins together in one statement. I believe Mr. Nir was here in the December time frame and the reason December 23 sticks in my mind, at some point I believe Colonel North in November, when he was putting together a chronology --

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Q November '86?

A November '86, the NSC chronology, I believe he said it was the 23rd of December when he actually brought Nir into the operation. I only have his word for that. I do recall having a beer with Mr. Nir at the Key Bridge Marriott around that time.

Q It must be a nice watering hole.

A No, sir, that was in Great Falls. Great Falls is much nicer. So during that meeting I was paged by Colonel North. I called him and I believe he was at the White House and he said he had to talk to Nir, and I believe there was a conversation, and I don't know what the substance was, but Mr. Nir had accompanied Defense Minister Rabin to this country and Rabin was in California.

And Rabin made some calls to California. The substance of the conversation, I don't know. They spoke in Hebrew.

Q That's makes it tough.

A I heard it, but I certainly couldn't translate it for you. That gave rise, in my mind, in addition to what I saw in the NSC chronology in November '86, that Mr. Nir certainly at that stage had entered into this inner sanctum of the very few people that were aware of this extremely sensitive NSC initiative. We didn't

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discuss it. He was not willing to convey any information as to what Colonel North wanted or why he called Defense Minister Rabin.

Then he called Tel Aviv. Okay?

Q All right. The other juxtaposition of events in that paragraph is the statement that you passed on to the NSC the Ghorbanifar burn notice at about this period of time. First off, do you recall doing that?

A Well, yes. I had had it for some time, I guess, after it became apparent that someone said that this was Ghorbanifar and there was a burn notice. Someone in the Directorate of Operations gave it to me, and Colonel North called and said he wanted a copy of the burn notice, and he claimed he didn't have one at the time, so I sent him a copy.

Q In that connection, when you talked to North about his request for the burn notice do you recall discussing with North him having been told of the Ghorbanifar burn notice by [redacted] back in early November?

A Well, I think I knew that he had been told. I didn't know what time frame.

Q Did you know by whom?

A I wasn't certain. It could have been [redacted] yes, but I don't know that. Let me be very

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clear. I knew that Colonel North knew there was a burn notice and that the Agency had a very poor opinion of this source. I thought Colonel North had a copy of the burn notice, but he claimed if he did he couldn't find it, and he wanted a copy. So I just had my secretary send a copy to him.

Q And as to who had talked to North about Ghorbanifar's history as known by the CIA, you didn't know that in December; is that right -- or you did know it but you don't know now?

A I can't say specifically who first discussed the Ghorbanifar problem with Colonel North. [redacted] as I said, when we had lunch, whenever it was in December, in January, we spent a good deal of time talking about Ghorbanifar and [redacted] expressed great concern about the use of this man.

Q Now your discussion with [redacted] at lunch, I want to put up a divide. Would that have been before the January 17 Finding or after the January 17 Finding?

A I think it was before. As I recall, it was before.

Q And [redacted] during the course of this lunch is expressing his concern, dismay, something of that sort about Ghorbanifar; is that correct?

A That's correct.

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Q Did you have occasion in this latter December period to discuss with North what the role of the Israelis was, what Nir was doing, what the General and the Colonel were doing, what the Israeli agents were about?

A At some point I did, but I can't say it was in December '85 time frame. It could have been in January. It was clear that Amiram Nir was entering the picture in some capacity to represent the Israelis because Colonel North at some point after the dismal failure in Geneva had indicated that he attributed it not just to the Iranians but to Mr. Schwimmer and Mr. Nimrodi, that he felt they had not been totally honest.

Q Honest about what?

A Well, about what was being shipped. But I have never learned all the details of that. But it was clear that the Iranians thought they were getting a different model and they got an older model. Colonel North wanted a more reliable intermediary and said he had arranged for this to occur, and I don't know with whom. Clearly he had to go to high echelons of the Israeli government to have performed such a feat, to get Amiram Nir involved.

Q Hang on, Mr. Allen. Colonel North said he wanted a more reliable intermediary.

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A On the Israeli side.

Q Which intermediary are we talking about?

A On the Israeli side.

Q He wanted someone more reliable than Schwimmer or more reliable than Nimrodi or what?

A Both. I don't think he had confidence. I do not believe he retained confidence that Mr. Schwimmer and Mr. Nimrodi would perform well. Clearly Mr. Ledeen had been put to the side by Admiral Poindexter, as I described earlier, so Colonel North had first met Amiram Nir in August of 1985 when he arrived here as the special assistant to the Prime Minister on counterterrorism. That's when I first met Mr. Nir. And he and Colonel North immediately had excellent rapport.

Q So it was your impression -- am I correct that it was your impression that Colonel North had asked the Israelis to come up with somebody other than Schwimmer and Nimrodi and had expressed a preference for Nir; is that what happened as you understood it?

A It would be my judgment that that's what occurred.

Q And that's a judgment not based on what Colonel North or anybody else had told you but inferences you drew from the circumstances?

A And the fact that Colonel North, at least in

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the January time frame, I believe, indicated that Mr. Nir was becoming involved as part of this very small number of people in the United States and Israel that knew about this initiative.

Q Now by virtue of the fact that you had sent the Ghorbanifar burn notice to Colonel North I assume that means that you'd read it?

A I read it very carefully, sir.

Q And you would also have familiarized yourself, at least in a general way, with the Ghorbanifar 201 by that point, correct?

A I don't think I had looked at his 201. It's not that it was denied to me. I just didn't bother.

Q Tell me what had happened. You simply asked for an excerpt, the burn notice, from the 201 rather than the entire 201?

A I guess I just asked [redacted] to get me a copy, and I think he sent a copy over.

Q Given that and what you must have known about the Operations Directorate's attitude towards Ghorbanifar, what was your own sense or impression of Ghorbanifar as of late December 1985?

A What was my impression?

Q Yes.

A I had not met the man. I had conflicting

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testimony from Mr. Ledeen and the Operations Directorate. I had not formed any strong opinion one way or the other. I simply sent the burn notice down to Colonel North for his view.

Q Bear with me. You heard Ledeen had met with Ghorbanifar and you heard what he thought of Ghorbanifar, and he thought Ghorbanifar was good, right?

A And Colonel North had met Ghorbanifar.

Q What did Colonel North tell you by way of impression of Ghorbanifar as of December '85?

A I think he had doubts as to the man's total reliability, but it was my impression, if that's the right phrase, that Colonel North felt that with enough effort that Ghorbanifar could be managed to some degree, and I think that of course the fact that an individual who in many quarters is highly esteemed, David Kimche, had recommended Mr. Ghorbanifar.

Q How did you know that?

A Mr. Kimche is well known.

Q I know Kimche is well known. How did you know Kimche's view of Ghorbanifar?

A Because of what Mr. Ledeen had told me and what Mr. McMahon had affirmed, and also Mr. Casey, as you recall, on 11 October had talked about Kimche and Schwimmer, as I recall it.

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Q But you'd never heard from Kimche's own mouth what his view of Ghorbanifar was?

A No, sir. I had never met Mr. Kimche.

Q So you are hearing this from other folks who were relaying what Kimche had said, correct?

A That is correct.

Q And then you also have the paper record, that Ghorbanifar has earned a burn notice. That's a rather unusual document, is it not?

A Well, we have burn notices on fabricators from time to time. There are a lot of fabricators out there, sir.

Q Even that being the case, not all fabricators have the good or bad fortune to warrant a fabricator notice, though, right?

A That's correct. If the person becomes a nuisance and begins to appear in a lot of embassies or trying to make contacts with a lot of services, yeah, it's helpful sometimes to put out a burn notice.

Q What is your understanding of why that kind of thing happens? It's not simply because somebody had lied to the Agency, I take it.

A Well, it's my sense that this occurs when we have sources who have come in. We would only put out information on a source who has come to us and that we

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have evaluated, maybe utilized, and then found that the man was lying and totally deceptive, or not totally deceptive but deceptive on some fairly major elements of what he was telling us.

Q When the Agency puts out such a notice on a source, is it more often than not because the source tried to hustle the Agency for money or some advantage?

A I can't generalize, but there are a variety of reasons why people fabricate information. When they become a nuisance, it's useful to make that information available to consular officers or to embassies and posts around the world so when this chap again knocks on your door you have his name there in some file and you immediately know to turn him off rather than to start writing cables and saying this guy has sensational information.

Q It's the kind of once-burned, twice-shy rule at work here?

A That's right. It doesn't mean that it's an infallible system by any means.

Q Thank you. I promise you we will go into 1986 when we return from lunch.

(Whereupon, at 12:10 p.m. the taking of the instant deposition recessed, to reconvene at 1:15 p.m., the same day.)

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AFTERNOON SESSION

(1:19 p.m.)

Whereupon,

CHARLES E. ALLEN,

the witness herein, having been previously duly sworn by the Notary Public, was further examined and testified as follows:

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE - Resumed

BY MR. KERR:

Q Mr. Allen, we had one question basically based on reactions. You had told us you were not aware of the cargo of the proprietary flight into Tehran but that you suspected it was something other than oil-drilling equipment. You were aware, if I am remembering correctly, that Mr. McMahon, by his expression, went through the overhead and was upset on the 25th of November; correct?

A That's what he said.

Q And then you had become aware on the 4th of December from your conversation with Mr. Ledeen that the cargo of the flight was in fact HAWK missiles; is that right?

A Yes, sir.

Q When you had that brought to your attention on

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the 4th of December, can you describe your reaction to it? Was it information you felt ought to be placed immediately in the hands of Mr. McMahon, for example, who apparently was concerned about those sorts of things?

A I didn't think about it at the time. As you recall, I testified that on the 26th of November at 0200 hours [redacted] and anyone [redacted] would surmise that that's not oil-drilling equipment. That had to be weapons systems.

So it was no secret among the people at the Agency and the recipients [redacted] and those that followed that the aircraft on the 24th-25th must have carried arms.

Q It's certainly no secret to you as to what Mr. McMahon would have known and when he would have known it. To what extent did you convey to him what you knew about the cargo of that flight?

A I don't recall. I don't recall.

Q You do not then have a recollection of perceiving this information to be particularly troublesome, a source of significant concern that you would want to raise with higher levels in the Agency,

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nothing of that kind in December after you learned of the information Mr. Ledeen had on the cargoes; is that right?

A I don't recall thinking about it as significantly new information because based on the intelligence we were receiving that was available to Mr. McMahon and Mr. Casey, the White House, either directly or indirectly, was involved in ensuring that arms and weapons were being shipped into Iran in small quantities, but nevertheless they were going there with the explicit purpose of attempting to secure release of American hostages in Lebanon.

Q How conscious were you in the period November 24 through the end of December of McMahon's apparently fairly strong concern that the Agency needed a Finding to provide the legal foundation for doing what it had done?

A 24 to 30 December?

Q Starting November 24, running to the end of the year, during that time.

A I was quite aware that he felt very strongly. Mr. Clarridge had expressed that to me on the 26th of November, that Mr. McMahon had referred the matter to the Office of General Counsel and that a Finding might be necessary. Mr. McMahon reiterated that to me in no uncertain terms on the 16th of December, and he indicated that to proceed a Finding was a fundamental necessity for

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the Agency.

So from my perspective the Deputy Director of Central Intelligence was up front on the issue of a Presidential Finding.

Q In terms of a Presidential Finding, did you have an understanding or knowledge of who in the Agency was responsible for obtaining a Finding?

A It was my understanding that the matter had been referred to the General Counsel. The General Counsel was involved in the process.

Q So it was your impression that it was under the aegis of OGC; is that right?

A That's correct.

Q The Finding process in terms of the paper kind of breaks down into the proposed Finding of November 26. There is the reference in McMahon's notes of him thinking the Finding was signed on December 5. We talked about the Christmas Eve 1985 conversation which led [redacted] to think that a Finding had been signed.

At no point, though, in December 1985 did anyone actually tell you that a Finding had been signed by the President; is that right?

A I don't think so, other than the comment made by Colonel North in his office on the 24th of December.

Q So you actually didn't see a Finding, signed

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or unsigned?

A I did not see a Finding either in a draft or a signed Finding.

Q Moving into January, again from the documents there appears to have been a series of drafts and ruminations by lawyers in the period January 1 through the time the Finding actually gets signed on January 17. Did you have any role at all in that evolutionary process leading up to the January 17 Finding?

A No, sir. I knew that Judge Sporkin had met with Colonel North on the development of the Finding. I remember Judge Sporkin calling me after talking with Colonel North at one point around the 3rd of January, 1986, where Judge Sporkin stated that he had discussed the Finding with Colonel North. He did not say he had discussed it with anyone else at the White House. He was talking on a non-secure telephone, and he said the Finding troubled him. It was a difficult Finding to prepare.

Q It troubled Sporkin?

A Yes, sir.

Q I take it because of the phone situation he was not able to elaborate on that?

A No, sir, he was not able to elaborate.

Q Did you have an occasion in that time period

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when you talked in greater detail with now-Judge Sporkin about this matter?

A I don't recall in the January time frame talking about it in any detail at all. I probably saw the Judge during that time frame, but I don't recall sitting down and discussing it with him.

Q Let me shift gears again. Let's go to the Ghorbanifar polygraph session. You became aware that Ghorbanifar was going to come back to the United States in January when?

A I don't recall, but probably Mr. Ledeen told me he was coming back, but I don't recall the date. When Mr. Ledeen asked me to meet him on the 12th of January clearly I knew Mr. Ghorbanifar was there.

Q I understand. Let me come at it another way. Do you recall conversations with Ledeen in which he said, well, we thought he was coming out on the 6th but it got postponed?

A No, sir.

Q Was Ledeen keeping you apprised during the period between December 4, when you met with Ledeen, and January 12 on what he knew Ghorbanifar was up to?

A No, sir. I didn't know anything in detail about that.

Q And in terms of the folks from the Operations

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Directorate, as I understood your testimony before lunch you didn't see the reports on their meeting with Ghorbanifar?

A No, sir, I did not see them.

Q And am I also correct that you did not discuss then with [redacted] what had come out of their meeting with Ghorbanifar?

A On the 20th, on the 21st of December, no, not that I recall. I can't recall.

Q Had Director Casey given you any direction or heads-up or anything that you might end up tending to Mr. Ghorbanifar in December of 1985?

A Absolutely not. I would have been surprised had he asked me to do so, given my other heavy responsibilities.

Q Had you had a conversation with Casey or McMahon-- let me strike that. Had you had any conversation with Mr. Casey on what his intentions or hopes with regard to Mr. Ghorbanifar were in December of 1985?

A I don't recall. I don't think so. I do not think so. I do not recall a conversation.

Q Ghorbanifar was in town on the 11th of January. He met with [redacted] for lunch and then they went and had the polygraph test taken. You knew he was in

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town on the 11th, I assume. Is that right?

A Yes, I think I knew that he was here on that weekend.

Q In terms of the meeting on the 12th, do you recall talking to Ledeen the preceding evening, the evening of the 11th?

A No, sir.

Q Do you recall knowing on that weekend, the weekend of the 11th and 12th, that Mr. Ghorbanifar was complaining about bruises and the like as a result?

A He told me that on the 12th, showed a bruise on his arm.

Q But you would not have met with him on the 11th?

A No, sir. I never met him on the 11th. That's a Saturday, and I clean house on Saturdays.

Q When you met with Mr. Ghorbanifar and Mr. Ledeen on the 12th, it was at Mr. Ledeen's home?

A Yes.

Q Can you give me your best recollection of what transpired at that meeting on the 12th?

A It was mostly just a social meeting. I was only there for a brief period, an hour, hour and a half. The Redskins were playing and Mr. Ghorbanifar was complaining about that in fact he had taken a polygraph

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and he was having after-effects, in his view, from the polygraph.

Q Did he request or did you offer to get a doctor to assist him on the 12th?

A Absolutely not.

Q And you did not make arrangements for a CIA doctor to treat Mr. Ghorbanifar on the 12th?

A No, sir.

Q From what you could tell, did he appear to be badly injured or ill on the 12th?

A No. Mr. Ledeen was planning to arrange a medical doctor to examine him, as I recall.

Q What was Mr. Ghorbanifar's attitude vis-a-vis the test?

A He was rather negative toward it, but I didn't know the results of the test at that time.

Q Was he suggesting to you that he had been mistreated, mishandled? Was that part of his chatter on the 12th?

A The general comments he made were the it was a rather painful experience for him and it went on for five hours or something along those lines. And it was very uncomfortable for him.

Q At that meeting he was or was not aware of the results of the test?

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A To the best of my knowledge, I don't think anyone talked about the results of the test. I wasn't aware of it and had no knowledge of it.

Q Had Mr. Casey as of that time asked you to be in touch with Mr. Ghorbanifar?

A No, I don't think so. I think Mr. Ledeen suggested I stop by and meet him socially that afternoon.

Q So this meeting really was at Ledeen's initiative?

A Um-hum.

Q I assume because he had told you about Ghorbanifar and it was a chance for you to see him live.

A Um-hum.

Q Did you tell North or anyone else that you were going to have this meeting with Ghorbanifar on the 12th?

A I don't recall. Certainly it wasn't a secret.

Q You did not make any record of this meeting onthe 12th?

A No matters of substance were discussed that I recall.

Q Now the following day, on the 13th of January, the folks in the Operations Directorate met and made known their views on Mr. Ghorbanifar. Were you aware that they were meeting to discuss Mr. Ghorbanifar?

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A No, sir.

Q Were you aware on the 13th of what they had passed on as their position and perspective to Director Casey?

A Mr. Casey stated that there had been a meeting with DO officers with him, or with -- I believe with him -- and that the results of this polygraph were very negative. Mr. Casey stated on the secure telephone that he would like me to go out and meet with Mr. Ghorbanifar to determine and make a record of all the information that he possessed on terrorism, especially that relating to Iranian terrorism -- just take another look at this individual, which I proceeded to do.

Q Were you aware at that time that Ghorbanifar had been asked a series of rather specific questions on his knowledge of terrorism in the polygraph test?

A I did not see the polygraph questions in advance. Mr. Casey may have shown them to me. I think I also went down to see him. I can't say specifically. I think I talked on the telephone. I saw the questions at some point, but I'm not certain it was that day.

Q Do you think you saw them before you actually met with Ghorbanifar?

A I don't know. It's been so long ago.

Q When Casey gave you this assignment was

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anybody else present either on the phone, to your knowledge, or in his office?

A Well, sir, if they were on the secure phone listening in, that was not appropriate.

Q All right. It's not a party line operation.

A No, sir.

Q In the meeting with Mr. Casey was anyone else present for that?

A No, sir.

Q When you met with Mr. Casey on the 13th did he tell you during the course of that meeting or any other meeting you had with him on the 13th the status of the Iranian initiative?

A No, sir. I don't think he, to the best of my recollection, talked in any detail about the Iranian initiative.

Q [redacted] time that you met with Mr. Ghorbanifar on the 15th had you had any discussions at all with the Operations people who had conducted the polygraph test?

A No.

Q And you are not certain whether or not you reviewed the test questions or any of the memoranda that were generated by the test; is that right?

A In advance, I don't recall. I read the

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questions at some point and I guess where the operator felt deception had occurred.

Q Let me show you a memorandum for the record on the Ghorbanifar polygraph exam which will be Exhibit 23.

(The document referred to was marked Allen Exhibit Number 23 for identification.)

And a memorandum by the polygraph operator on the examination, which will be Exhibit 24.

(The document referred to was marked Allen Exhibit Number 24 for identification.)

I'd like you to look at both of those and ask you to please tell me whether or not they are documents you would have seen on or about, in the vicinity of the date.

MS. MC GINN: May I interrupt? I think I am missing Exhibit 22.

MR. KERR: Exhibit 22 is a cable.

(Pause.)

THE WITNESS: I have seen -- let me let you ask the questions.

BY MR. KERR: (Resuming)

Q As to Exhibit 23, first have you ever seen that memorandum?

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A I've seen, I think, the attachment.

Q The attachment?

A Um-hum.

Q The MFR itself?

A I don't recall the cover MFR.

Q And as to Exhibit 24, do you recall having seen that memorandum at any time?

A I don't think I've seen -- I've seen the questions that were asked, but I don't think I've seen it in this form. Maybe I'm thinking of the attachment. And I can't recall the date that I saw it. It certainly -- I did not see them before I went to see Mr. Ghorbanifar on the 13th.

Q The MFR does say that neither Ghorbanifar nor Ledeen had been advised about the results of the test. At the time that you met with Ghorbanifar on the 13th, was he knowledgeable about the test? Did he know how he'd done on the test?

A I don't recall.

Q Do you recall telling him how the test had gone?

A No, sir, I don't think I made any comment on it.

Q Do you recall there ever coming a time when you discussed either with Mr. Ghorbanifar or Mr. Ledeen

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how Mr. Ghorbanifar had done on the test on January 11?

A I don't recall that. It's my understanding that Mr. Ledeen had knowledge he had failed the polygraph test.

Q That likewise is mine. I'm wondering if you have any idea what the source of that knowledge.

A I don't want to speculate. He clearly had knowledge that Mr. Ghorbanifar had failed, that he had failed 14 out of 15 questions or something of that nature.

Q Is it your recollection that he had that knowledge on the 13th when you went over to Ledeen's house or was it some other time that he had that knowledge?

A I don't know when he obtained that knowledge. I don't recall.

Q To put it more precisely, you don't recall when you acquired that knowledge of what Ledeen knew?

A I don't recall when. Certainly by the time I saw Mr. Ghorbanifar -- and it was on the 26h of January -- Mr. Ledeen and our friend Mr. Ghorbanifar knew too -- put "our friend" in quotation marks.

Q Business acquaintance or some such thing?

A No, sir.

Q Not even that?

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A I want to go on record and say absolutely no business acquaintance whatsoever.

Q Let me come back to what you know about what Casey knew about the Iranian initiative. I want to show you a memorandum that's dated January 13, 1986, that seems to have been prepared for or perhaps even by Director Casey. I'd like you to look at the memo, tell me if you've ever seen it before, and if you have we'll explore that. If you haven't, you might just glance at it for the substance and then we're going to see what you knew about the matters that are discussed in this memo of January 13, 1986. That will be Exhibit 25.

(The document referred to was marked Allen Exhibit Number 25 for identification.)

(Pause.)

A I have not seen the memo previously.

Q Can you tell from looking at the memorandum who the author of the memo was?

A Well, I assume it was written by the DCI since it has his initials or at least the letters of DCI in the upper righthand corner.

Q That's a question I have. I have no idea what the format would be for this kind of a memo. Would that in the custom and business of the Director's office

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indicate this was probably his memo?

A I can't make that judgment. All I see is DCI, 13 December 1986 and I must assume that that is his memo.

Q Were you familiar with the events and circumstances that are set forth in that document as of January 13?

A No, sir, I was not aware as of January 13 on the first three paragraphs.

[redacted]

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[redacted] The first paragraphs, at that stage I had no knowledge.

Q Let's shift gears again. I'd like you to take a look at your January 29, 1986 memorandum describing your meeting with Ghorbanifar on January 13, which will be Exhibit 26.

(The document referred to was marked Allen Exhibit Number 26 for identification.)

Could you look at that document and tell me if that is in fact your memorandum of the meeting with Mr. Ghorbanifar?

A Yes.

Q With regard to the meeting that you had on the 13th of January, did you record that meeting in any fashion other than by making notes? Did you record it electronically?

A Mr. Ledeen provided a tape recorder, but I don't know. No, I don't think it ever worked. I don't ever recall getting a tape.

Q You did make handwritten notes, I take it, as

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you went through the course of the afternoon with Mr. Ghorbanifar?

A Yes.

Q Now the memorandum, I would assume, is a good and relatively accurate, as best as you could do it, summary of the conversation that you had with Mr. Ghorbanifar.

A It is a detailed record of what I thought was principally important, because the Director asked me to obtain information on terrorist networks which Mr. Ghorbanifar claimed to possess.

Q The memo indicates, and I would assume it was the case, that Ghorbanifar ranged a bit further than terrorist networks in the course of his five-hour conversation with you and touched on things other than simply terrorist networks. Am I correct? Among other things, he griped about the Agency a little bit in the beginning.

A Yes, and I recorded that. I thought I should. He also talked about, I believe, the cost of the missiles that were sent in the November shipment, that in fact they were the wrong missiles and that the price was four times an appropriate price, somewhere in here.

Q It's in there. It's in the first page or so. With regard to the pricing and the missile aspect of

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things, did he elaborate on that point with you at all? Did he tell you what he thought had become of the money, whether there had been a misappropriation, if you will, or diversion of funds on this particular transaction?

A No. That is about all he said. It struck me as of interest because it reinforced what had actually occurred in the November 24-25 dispute in Geneva, something I didn't quite understand, and I recorded it because that convocation ended on such a very bad note. He said the Prime Minister and others believed they were cheated. I thought that was a significant thing to record.

Q When you're making reference to a November 24-25 convocation, what are you referring to?

A I'm talking about the meeting between individuals including [redacted] and Ghorbanifar and unknown other individuals who were in Geneva, as I've testified earlier on the 24th-25th.

Q You are talking about [redacted] is that right?

A Well, yes, [redacted] Colonel North saying there was an important meeting occurring in Geneva.

Q On that November trip -- and I promise not to go back into '85 too many more times -- do you know whether or not Colonel North had any kind of recording

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device he took with him on that trip?

A As you recall, on the 24-25 meeting in Geneva Colonel North was in Washington.

Q I had lost that. You are right. In terms of what happened at that meeting, let me come at it another way so I understand what you are telling me, Mr. Allen. Your knowledge of what occurred at that meeting was based on what resources --

[redacted]

A [redacted] Colonel North's reaction at 0200 hours on the 26th of November where he said that the talks had broken down. He was bitterly disappointed. On the 22nd, when he had called and asked for [redacted] he was optimistic and sanguine.

Q Let's come back to the 13th. During the course of your conversations that you had with Mr. Ghorbanifar on the 13th of January there is an item that Mr. Ghorbanifar raised with you that is not in your notes. You recollect, do you not, that Mr. Ghorbanifar made apparently explicit reference to engaging in transactions which would generate money for the assistance of the Nicaraguan contras?

A I recall after I went through my notes, which were retained, from that meeting in November or December '86 that there was a reference there to that fact. I at

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the time did not consider it important or even relevant to my particular mission as given to me by the Director, so it was simply a comment I did not find incredible or of interest since I did not record it in this memorandum of 29 January.

I did not find it relevant; ergo, I did not put it in the memorandum. It seemed far-fetched and nonessential.

Q Let me show you a letter of 24 February 1987 to Mr. Liman from Mr. Rizzo which has attached to it a series of tabs, and with regard to the meeting on the 13th the tab or attachment that is referenced as Attachment A, I'd like to have the letter marked Exhibit 27.

(The document referred to was marked Allen Exhibit Number 27 for identification.)

What I'd like you to do is take a moment to refresh your recollection of what your notes contained both on this and perhaps the other meetings as well, and then I want to come back and see, first, if they are your notes and then if you have any further recall of the events that are referenced.

(Pause.)

A Okay. May I comment on these individually, if

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that is appropriate?

Q Sure.

A As you know, this first one, Attachment A, as I recall, are notes from the 13 January 1986 meeting with Ghorbanifar, and we went through what he knew about Iranian terrorism, I believe Syrian terrorism, and then he claimed [redacted] connections to Libya. He said he thought his Syrian relationships were the best and he said, you know -- and I don't know exactly what he said -- we can thwart some of these terrorist activities. We could fund the contras, I assume. But I don't know what he said. It was all in three words.

And we're off on many more of his rather grandiose plans.

Q Let me stop you. In terms of what he was saying about funding the contras or how to fund or whether to fund or what to fund, you can't elaborate any more?

A I'm sure he didn't say anything more than what's probably recorded here, probably in one phrase.

Q Let me keep you on January 13 for the moment. Frankly that strikes me as a strange phrase. You didn't see that as something you wanted to explore further with him?

A Absolutely not.

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Q Why not?

A Because I am interested in credible plots by terrorist groups or states that sponsor terrorism, and that didn't even begin to touch my consciousness as an issue worthy of exploration.

Q Well, let me explore it. He was essentially trying to interest the Central Intelligence Agency in joint venturing with him on some project?

A And I reported that early on. He's a turnkey man and he gave a number of illustrations where he could be of great help to the United States for appropriate compensation.

Q And he was looking for a benefit to be gained for himself from the joint venture operations he was proposing, correct?

A That's right, and I tried to convey that thought in paragraph 2.

Q I think you do. It comes clear from that and that's why I want to pursue a bit more. You had the feeling on the 13th, didn't you, that to some extent you were listening to a sale pitch by a fellow who wanted to become a contractor to the CIA?

A Absolutely. I think that comes clear in the memo. The man has a lot of grandiose ideas.

Q I understand that. In terms of the pitch that

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he was making, were you left with the impression that he thought he would be more attractive to the Central Intelligence Agency if he offered to share part of the take in such a way that it benefitted the contras in Nicaragua?

A It didn't occur to me at the time that it was any more significant than anything else he was saying as part of his overall sales pitch which, of course, went on for five hours. He spoke about his excellent contacts.

Q As of that time, Mr. Allen, you were or were not aware of contributions for the contra cause by folks in [redacted]

A That was January 1986? I had no explicit knowledge of that. I think there had been rumors to that effect.

Q As of [redacted] January 1986, were you aware of a busi[redacted] relati[redacted] between [redacted] Khashoggi?

A At that stage I don't think I knew that Ghorbanifar had a relationship with Khashoggi.

Q Let me come at something that's not there at all, and I'm not sure whether it happened. Were you aware at this time of a relationship between Ghorbanifar and Roy Furmark?

A I don't think I had heard of Roy Furmark at

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that stage.

Q Or John Shaheen, for that matter?

A And I don't believe the Director had talked about John Shaheen. He talked about John Shaheen, I think, about the time the McFarlane trip was occurring, or thereafter.

Q The McFarlane trip in May of '86?

A Yeah, and I don't know.

Q Nothing struck you about the reference to the contras that suggested that there was a thought on Ghorbanifar's part that this would be pleasing to your ears or the ears of Oliver North or anyone else?

A Well, if I did, I would have recorded it and put it in the memorandum, because I gave a copy of this memorandum to Colonel North and it would have been in the memorandum.

Q Well, that raises the natural next question. Did you discuss this point with Colonel North even if it wasn't in the memo?

A No, sir. I didn't think anything about it and promptly forgot about it.

Q You met the next day, January 14, with Director Casey, I believe, from what you told us in your interview, to discuss what you had learned from Mr. Ghorbanifar; isn't that correct?

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A Yes.

Q Did you at the meeting with Director Casey refer to your notes and tell him that there had been this suggestion of potential benefit for the contras as part of the Ghorbanifar sales pitch?

A No, sir.

Q So you do not recall in January addressing that point to Casey at all?

A No, sir. It did not enter my consciousness as a significant point.

Q Were you aware in January of '86 of Colonel North's involvement in contra matters?

A Well, I certainly was in the sense that there was considerable press publicity in August of 1985 where he and his family were harrassed, where there was considerable publicity in a number of newspapers, including the Washington Post and the New York Times, and I was attending interagency meetings at the White House with Colonel North at that time and he had some real harrassment by people who opposed the American Administration's policy in Central America.

Q I would have thought, particularly given that kind of environment, it would have led to, if nothing else, casual conversations between you and Colonel North about what he was doing in Central America.

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A I would reject that because I just don't think that that was a significant statement. It was one phrase. He didn't go into any elaborate explanation of what he meant. Mr. Ghorbanifar speaks with great rapidity. His English is garbled at times, and trying to cope with all this outflowing of information on his alleged knowledge of terrorism more than kept me busy for those five hours.

I didn't ask for the assignment. The Director sent me on the assignment. So the fact I didn't record this did not to me seem significant, and I certainly didn't even recall it after that January meeting.

Q Bear with me. At the time of your meeting with Ghorbanifar on the 13th were you aware, directly or indirectly, of Colonel North playing a role in raising money to assist the contras?

A I was aware there had been statements to that effect, that he was involved in at least encouraging private donations to the contras.

Q Apart from whatever you saw in the newspapers, had he himself indicated such things to you?

A I don't think he had spoken. We never discussed Central America and the contras, except in the most generic ways. I recall when we were in OSD in the summer of 1984 we needed Colonel North's assistance on

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the project, the very sensitive project I was on in the summer time frame, and he was unavailable and he later told me in some time frame that he was traveling at the direction of Mr. McFarlane and it was related to the fact that funding had been cut off for Central America and he was traveling various places in the world to try to have donations made, private donations made, to people interested in continuing the anti-communist effort in Central America.

But I don't have a time frame for that converation.

Q During the course of your conversation with Mr. Ghorbanifar was Mr. Ledeen present throughout?

A No. He walked out and stayed in the other room.

Q So it's more likely than not that he was not present when this statement was made; is that correct?

A I would say that he was not present.

Q If I can borrow that back for just a second, Tab B, I take it, at least from Mr. Rizzo's letter, is likewise a portion of your notes from the January 13 meeting, and Mr. Rizzo's letter, which I assume was written after talking with you, indicates --

A I want to correct the record. Mr. Rizzo wrote the letter and it showed up on my desk. I did not see it

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in advance.

Q If you would look at Tab B in conjunction with Tab A and tell me if there is a relationship between the $100 million proposal that's referenced on Tab B and the funding of the contras, which is on Tab A, I would be grateful. Mr. Rizzo seems to think that there was.

A Well, I can't conjecture what Mr. Rizzo thinks. I don't know that there's a relationship whatsoever. I recall that Mr. Ghorbanifar talked about the fact that he was aware of [redacted] and that he wanted the help of the United States [redacted] and he threw out the figure of $100 million [redacted]

You know, clearly he wanted some of the money for himself, but he thought that the other money could be used for some form of action. I was simply recording what this man was stating, and I don't see any relevance necessarily to what occurred in Attachment A.

Q But for Mr. Rizzo's suggestion, I might not either.

A Well, I'm not here to suggest what Mr. Rizzo

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thought. I didn't tell Mr. Rizzo that.

Q Mr. Allen, my guess is that you must have had a discussion with somebody about these two sets of notes. Did you talk to the IG? Did you talk to somebody else in Mr. Rizzo's office?

A The Inspector General went over all my documents and asked me questions, but I don't know that I connected the two in discussions with the IG. I certainly don't connect them now.

Q Let me make a suggestion to try to connect them up for you. There are a series of conversations on this point, which we're going to go through, and it appears that one of Mr. Ghorbanifar's suggestions was that the $100 million could be split in various ways, one of the ways being to provide a substantial contribution to Colonel North's efforts in Nicaragua.

A Well, if you will go on to whatever, Attachment D, I believe that came from my notes in London. I wrote that down and again when I came to that in writing up the record that seemed so preposterous I don't think that I wrote anything specifically on this. It's so farfetched and again, you know, it was one of many notes. So I didn't put it in the memorandum for the record.

Q I think all of us now know Mr. Ghorbanifar to

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be a fairly persistent fellow. What I am suggesting to you is wouldn't it be correct that on January 13 he formulated to you for the first time this proposal that there would be $100 million deal that he could do and that some portion of that $100 million could be used to fund the contras?

A He made that statement, but he didn't offer --

Q I just want to make sure he made that statement at that time.

A I recorded that he said something about we could get $100 million, and I don't recall $100 million in relation to the contras in the conversation on 13 January. I recall some very farfetched statement he made on the 26th of January that was so extreme that no rational man, in my point of view, could take it seriously in any way.

Q That raises another question I have that I'll throw out right now. We'll come to the 26th in more detail in a bit.

But if Mr. Ghorbanifar is coming up with farfetched and preposterous schemes on points like this which you dismiss, why do you take him seriously on other schemes like freeing hostages?

A Well, actually it turned out that on [redacted]

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[redacted]

So what Mr. Ghorbanifar told me had some substance to it. So in retrospect it was not all bravado.

Q I'm perfectly prepared to believe that he was prepared to come up with $100 million and help Ollie North out. I suspect that that was maybe very sincere. What I want to know is what caused you to think he was credible in certain areas like releasing hostages and not in others, like $100 million to go to the contras?

A Why don't you tell me why I said he was credible in releasing the hostages? I didn't quite make that judgment in this memorandum.

Q That's helpful. You do not feel as of January 13 that he was credible in terms of being able to be helpful to release the hostages; is that right?

A I did not have enough knowledge of the release of Benjamin Weir. I did not have enough knowledge of all of the activity under way by Colonel North, as you know, as we went through this morning, the compartmented nature, and I know that other people have told you about how compartmented we operate, that I simply at that stage

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was trying to record, on the 13th of January, everything he could tell me about terrorism

And he told me a good deal, and he said he had more to tell me, but I wrote all I could up and sent this widely throughout the DO, to the Director, to the Deputy Director, to everyone so not just I but others could make judgments on the matter.

Q It's the judgment that I am trying to come to grips with. He had just failed rather strikingly a polygraph test. He had an established track record of being someone whose word could not be relied upon in the Agency. You are now having a meeting with him on the 13th where he's telling you things which you perceive to be preposterous.

A Some aspects. I did not say that all was preposterous. I said some of it seemed very, very filled with hyperbole. I think that it was important, if he really knows all of this, I think my recommendation was it's time for us to work our way through very, very carefully and try to evaluate this.

I said he is impatient if one tries to pin him down on specifics of some of the complex plots that he describes. I talked about a careful and direct approach to try to nail down just what he really did know as opposed to what he was manufacturing, was the essence of

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my recommendation.

Q So you felt as of January 13 that it was worth continuing to try to work with him, correct?

A I was talking generally on the terrorist aspects, because that's what the Dircector asked me to do.

Q But even on that you felt that on the terrorist aspects it was worth a try to work --

A We have thousands of people out there providing a lot of data which we report conscientiously, some of which is very farfetched on terrorism. For every serious plot we may get a thousand threats or reports of threats, so it's a very difficult process. We're dealing with very sleazy, unreliable people in the world of terrorism. We don't have time to discuss that aspect, but let me assure you it's hard to find a good, reliable source because you're dealing with people who deal in duplicity, who commit political violence themselves.

MR. WOODCOCK: Let me just ask you one question on this same topic. The portion of the memorandum that you just quoted on your suggestion for handling Ghorbanifar also goes on to say that for this reason the best strategy is to go back over details in a series of meetings so that all aspects of the plot can be determined.

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That suggests a somewhat time-consuming procedure. How precisely was it that you were envisioning Ghorbanifar might be able to be used, given that he required that kind of straining?

THE WITNESS: At that point I didn't really think deeply about it. I just simply summarized it for the Director and other people in the Directorate of Operations. If we are really going to pursue this individual's knowledge on terrorism, it's going to take a lot of management of the source. This man has contacts. He lives in a very fast lane. He has a lot of underworld characters he deals with. As you know, [redacted] are some of the most insidious individuals in the world, drug dealers, terrorists, gray arms merchants. We really do have to deal with him almost day by day, point by point. You can't let the man go off and try to become a principal agent.

It was absolutely -- that was the thrust of what I was trying to say. It would take an immense amount of management. That's what I was talking about.

MR. WOODCOCK: Had you made a judgment at that point as to whether he would be useful simply as a source of intelligence or whether he could at all be used in an active operation?

THE WITNESS: I didn't reach that conclusion.

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What I was just trying to do was to canvass broadly what he claimed to know.

MR. WOODCOCK: The reason I ask that is because again of the procedure that you are suggesting there. It would seem that in the course of an active operation it would be very difficult on a minute-by-minute basis to strain through his knowledge and then take actions based on a judgment.

THE WITNESS: Yeah, and I don't know that I've quite articulated it this way before. I think this paragraph, this summary about the time and attention is needed to keep a rein on Ghorbanifar, I think that was what made me uncomfortable about using him in the NSC initiative, because he was on the go every day. He was in one city after the other. He was constantly on the move. Someone almost had to be at his side in order to know what he's doing and to maintain control of any operation, because, as we know, he lied to both sides all the time during the NSC initiative.

MR. WOODCOCK: Thank you.

BY MR. KERR: (Resuming)

Q Let me just ask you one question about your note. We've got two pages that have been identified to us as being notes of the January 13 conversation. I assume that there are more pages because these things

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sort of start and stop. Do you know at the present time where a complete collection of your notes of the January 13 meeting might be?

A Yes, sir.

Q Good. Where might they be?

A Well, I think the notebooks are being held as part of the box on the part of the Independent Counsel. I didn't throw them away. I don't know why I kept them.

Q Okay. Have you recently seen whether or not there is a complete collection of your January 13 notes? Did you happen to notice that?

A Yes. I turned them in.

Q So when they were last in your possession there was a complete set?

A When last in my possession there was a complete set.

Q Unfortunately, they have had a number of lawyers in them since that time, and Lord knows the condition they are in.

With regard to the meeting with Director Casey on the 14th, can you give me a synopsis of what you talked to Casey about on the 14th?

A Yes. It was generally a summary of what I later put in my memorandum, that he claimed to have all this access. He showed me a few documents relating to

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his access, you know, Ghorbanifar. I think he gave me -- I think he gave me a photograph or two -- I can't recall -- of people he claimed had terrorist connections.

I said it was very hard to pin down the individual in any concrete way. He is very flamboyant. He's very clever, cunning. I described him as a con man to the Director. I said it doesn't mean that, properly managed, and it might take a lot of effort, that you cannot manage a con man to do this. And I remember the Director joking and saying well, maybe this is a con man's con man then. He used that phrase with me after I came back.

Q When you had this conversation with him, did he give you any suggestion at all that he had former clients or friends or business acquaintances who were actually in business at that time with Ghorbanifar?

A No, sir.

Q Anything else you can recall?

A I don't recall anything else except the Director said well, take a look at it, and he asked me to write the memorandum, which I was very slow in getting together.

Q Did he give you any instruction or direction or assignment to be Ghorbanifar's keeper at that point?

A No, sir, not at that point.

Q With regard to what happened next, on January

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17, 1986, the Presidential Finding is signed, the one that becomes operative, in any event. Were you aware of the Finding being signed contemporaneous with its signing?

A No, sir.

Q When did you find out about the Finding?

A I believe on the 24th or 23rd of January, when I knew that some intelligence was being prepared for eventual transmission to the Iranians. To my surprise I was told by Bob Gates that he had ordered [redacted] the Directorate of Intelligence to prepare a small sample of intelligence that contained order of battle information on Iraqi dispositions on the northern front, and he said you will be contacted by [redacted] and they will provide you that intelligence, and I've ordered that it be completed, I believe, by the 24th of January, 1986.

I don't know why he did that, because that was an unusual request. I think simply because he knew I had been a focal point for the collection tasking and I assume that so few people knew about this initiative, no one knew the real story except Bob Gates at that time as to what this was about within the entire Directorate of [redacted] people.

So he didn't have many people to turn to. So

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he turned to me for that. So when the material was ready on the 24th [redacted] brought it over to me and explained what they were providing. In fact, I think they had contacted me as early as the 23rd and had showed me what they were planning to put on this intelligence sample, and they wanted to know if that was adequate.

And, as I recall, we made a few adjustments to what was being prepared, but it seemed adequate at the time. It was very bare bones.

Q Let me show you a document that I'd like you to look at and tell me if you've ever seen it before. If you have, great; I'll explore what it is. It's a document that's headed Milestones and appears to have been created about January 17, 1986, dealing with essentially possible consequences of the Finding. That will be Exhibit 28.

(The document referred to was marked Allen Exhibit Number 28 for identification.)

A I don't recall seeing this one necessarily.

Q Do you have any idea who would have created that document?

A I would not like to speculate. It appears to have originated at the White House.

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Q Can you tell me how you reach that conclusion?

A Well, simply the scenarios and the transactions and the way they are being proposed, the fact that the Economy Act -- you know, I heard comments, I guess, by Colonel North or others at this stage that thoughts were being given on how to proceed, but I don't recall seeing this specific document.

Q Would you have seen one like it?

A I saw a document which was brought by Colonel North on the 24th, I believe, of January 1986, which was a schedule, and you are aware of that.

Q We'll touch on that in a minute.

A I don't think I've seen this one.

MS. MC GINN: Could we take a break here for a few minutes?

(A brief recess was taken.)

BY MR. KERR: (Resuming)

Q Mr. Allen, let me take you back to your knowledge of the efforts to prepare some intelligence on Iraq for Iran. My notes on our earlier interview suggested that you had said it was about January 19 when DDI Gates asked you to get involved, but apparently is wrong. Do you remember what the date was?

A I don't know. It could have been as early as the 19th and I may have misspoken a few moments ago.

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Q Is there anything you can attach your memory to, any event?

A No. I know Bob Gates called me and said that [redacted] would be working on this issue and that they would be visiting me about it, and that he had ordered it be completed, I believe, by the 24th of January, and I didn't know that the work was under way or had been requested until Mr. Gates called me. And, as I said earlier, he called me basically because so few people knew what was going on; he didn't have anyone to deliver the material to.

Q Who are [redacted] What outfit are they with?

A As I said earlier, they are with the [redacted] Directorate of Intelligence.

Q This would be under [redacted] group?

A Yes, sir, [redacted] office.

Q It doesn't make a great deal of difference, but when I spoke with [redacted] I was left with the impression that he got that task on very much a hurry-up basis around the 23rd or 24th, just before the intelligence actually gets delivered. Do you think it was a few days earlier?

A Well, I don't know. I really don't know how

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quickly they did this. I do recall as my memory is refreshed that [redacted] talked about working very late hours in preparing the intelligence, so it could have been the 23rd that the request came. I do recall it was during the week. It was a working day where Mr. Gates called me on secure and said that this was happening and that I should await a visit from [redacted] because they might require some guidance.

As I recall, I didn't give them any guidance. What they prepared seemed to be perfectly satisfactory.

Q In terms of the way the Agency was dealing with Ghorbanifar at that time, would you have been aware in that period, the period between January 17 and the time you actually go to London yourself that further communications were taking place with Mr. Ghorbanifar about the Iran initiative?

A You mean [redacted] would I have been aware?

Q That's one place.

A Of further meetings?

Q Were other people telling you about them? Let me give you a better questions, Mr. Allen. That wasn't terribly helpful.

In terms of a meeting with Ghorbanifar planned to occur at or about the 24th or 25th of January, would

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you have known about that meeting before you got the assignment to go out there on the 26th and, if so, how soon before the meeting?

A No. I wasn't aware that a meeting would have occurred on, I guess, the night of the 25th in London. I do know that Colonel North was impatient around the 23rd to get an intelligence sample to Mr. Ghorbanifar. This was after Mr. Gates had told me one was being prepared.

Q From the Tower Commission report it appears that North went to London on the 24th of January; is that accurate or inaccurate according to your recollection?

A Colonel North went to London just prior to the 24th, I believe, because Mr. Ghorbanifar gave him a whole series of photographs and these were very interesting photographs of some fairly nefarious-looking people. He had a whole stack of them that he brought to the meeting on 24 January in Mr. McMahon's office.

Q I tell you what. I think the best way to do it is you can take me sequentially in terms of events as you recall.

A As I recall, recognizing that my recall on this may be imperfect, sometime either prior to the 23rd or on the 23rd Mr. Gates [redacted] an intelligence sample was being prepared and that [redacted] were involved. Colonel North was talking to me at that time

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about the need to get intelligence quickly to Ghorbanifar. He didn't suggest that there would be necessarily a trip required to London that quickly.

It's my understanding that Colonel North had been to see Mr. Ghorbanifar just around that date, the 22nd or 23rd, and that he had obtained a set of photographs of people that Ghorbanifar claimed had connections to terrorist networks or were actually terrorists themselves. I was told, I guess by Mr. Gates, to be at headquarters on Saturday the 24th of January because the sample would be addressed.

I arrived there that morning. I think I made contact with [redacted] and they were finishing up the sample and explained to me how to interpret it. I took the material up, as I recall, to Mr. McMahon's office. [redacted] was there, Mr. McMahon was there, Mr. Gates was there. I was there. And along with -- Colonel North arrived later.

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[redacted] claims by Mr. Ghorbanifar that he had had contact with, I believe, the Vice President and perhaps even the President [redacted] --

Q The President and Vice President of the United States, I take?

A Yes, which certainly was not true. So, as I further refresh my memory, it's possible that Mr. Ghorbanifar was here and Colonel North did not go to Europe and that that may not actually be accurate in the Tower Commission report. I'm trying to reconstruct the sequence of events. Nonetheless, there was a lot of discussion there on the 24th, and I believe Colonel North was at the beginning of developing a schedule, but he didn't have much of a schedule at that stage.

We sat there discussing the intelligence. John McMahon stated that he was against providing detailed order of battle information to the Iranians, and Mr. Gate seconded that comment. They told Colonel North that this was being done at the direction of the White

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House, but they wanted to note jointly that this was against their best judgments. But they qualified this, as I recall, by saying they did not consider this to be intelligence that would be of any significant import to the Iranians, given that this was in the mountainous northern front and was not a likely point of attack for the Iranian military. And I think they were correct in that.

Then a whole argument ensued as to who should take the darn stuff to London. I had no desire necessarily to go to London, but when Ollie showed all these photographs McMahon seized on the idea that I should go because if these are terrorist somebody that knows something about terrorism should try to obtain from Ghorbanifar who these individuals were and why did he have their photographs and what did it mean -- a rather ominous-looking set of characters.

So suddenly I found myself getting ready to go to London that afternoon. So they sealed this intelligence sample in sterile paper and I put it in my garment bag, went home, packed and had my wife drive me to the airport and went to London.

Q Let me give you a date and even to help us focus in on things. On January 23, according to the Tower report, you met with a follower of Ayatollah

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Sherazzi who was visiting the United States apparently at Ghorbanifar's request. Do you recall such a meeting?

A Yes. I don't think he was coming to the United States necessarily at Ghorbanifar's request. [redacted]

Q Would you have met with him before this meeting with McMahon?

A Yes.

Q Okay. So that took place on the 23rd. Your meeting with McMahon would have been the 23rd or the next day, the 24th?

A The 24th. It was a Saturday morning. I thought this was an opportunity to evaluate a contact of Ghorbanifar. I was impressed [redacted] He was very good.

MR. WOODCOCK: Mr. Allen, do you want to look at that? It's an old '86 calendar, to give you some idea of the dates.

THE WITNESS: Oh, the 24th is a Friday. I'm sorry. My dates are all wrong.

BY MR. KERR: (Resuming)

Q Let's go back and try and piece it together.

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You were in London on Sunday, right, which would be the 26th?

A I arrived in London on the morning of the 26th.

Q So the meeting with McMahon and company would have been that Saturday?

A Yes, sir, the 25th, the morning of the 25th. I flew to London the afternoon or the evening of the 25th and met with Ghorbanifar the evening of the 26th and returned to Washington the morning of the 27th.

Q So the sequence would be 23rd you meet with the follower of the Ayatollah, 24th you are told by Gates about the Iraqi intelligence, is that right, and then meet --

A Well, I don't want to put a specific time frame in view of what I said earlier, what you have stated that [redacted] said. [redacted] should have better information than I do. It was, you know, sometime during that time frame, during that work week, that Mr. Gates told me that he was having an intelligence sample prepared related to the Iranian initiative and that I should work with [redacted] people on it.

Q But, in any event, the departure from the U.S. to London would have occurred -- would you have flown that evening, the 25th?

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A Pan Am 106 to London.

Q Which would mean a flight out Saturday evening?

A The 24th, yes. I'm sorry, forgive me -- the 25th.

Q So you would have flown out Saturday evening,the 25th?

A Yes. I definitely flew out the 25th.

Q Before we go to that meeting let me just ask you a bit about what the Agency believed it was doing. You would have known, I assume, on the 24th and 25th that you were about to go meet and talk with Ghorbanifar. Were you aware that the Agency was putting out a cable saying that it planned no further contact with Ghorbanifar?

A No, sir.

Q Let me show you a cable dated January 17, 1986 which will be Exhibit 29, and I ask if you are familiar with it.

(The document referred to was marked Allen Exhibit Number 29 for identification.)

(Pause.)

A I've seen this. I don't recall when.

Q Do you remember where you saw it --

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contemporaneously?

A No, sir. I didn't see it contemporaneously.

Q At a late date?

A I saw it at a later date, although I'm not certain when.

Q To your knowledge was the Operations Directorate aware of the meeting that was about to be held with Ghorbanifar at the time they sent this cable?

A [redacted] was at the meeting and sat in during the entire session on Saturday morning on the 25th. He saw the intelligence. He saw the photographs. He knew I was going to London to meet with Mr. Ghorbanifar.

Q And [redacted]t that point was still deputy, or was he chief of the Near East Division; do you recall?

A He was the Deputy Director of the Near East Division, Directorate of Operations at that time.

Q One other detail from that period of time. Let me show you a January 21, 1986 memorandum from Clair George on a request for sensitive support equipment, which will be Exhibit 30.

(The document referred to was marked Allen Exhibit Number 30 for identification.)

The same drill. If you have seen this memo

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before, please tell me; if not, I'll just use it as a reference point.

(Pause.)

A At the time I did not see that, contemporaneously. I knew on the 29th of January 1986 that he had such equipment.

Q Why did you know that on the 26th?

A He brought it with him when he had returned from the meeting in London, I believe, with Mr. Ghorbanifar, and we [redacted] in room 370 in the Executive Office Building.

Q In terms of this equipment being used on your trip, did you borrow from Colonel North this equipment or make use of similar equipment on your trip?

A [redacted] I just brought along a small [redacted] recorder.

Q With regard to [redacted] Colonel North's [redacted] this equipment in January, did there ever come a time when you actually saw a transcript or heard a tape made by this equipment from January of '86?

A No.

Q Now you indicated that you were aware that Mr. McMahon was concerned about making this Intelligence available. Were you aware that McMahon was trying to make sure that the Director approved of this passing of

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intelligence?

A I don't remember.

Q Do you know where the Director was on January 24 and 25, 1986? The cable says [redacted] Is that [redacted]

A That's [redacted] He was overseas and I probably knew at the time where he was, but I don't recall now precisely where he was.

Q Did you take a position in this meeting with North on whether or not it was a good or bad idea to pass this intelligence on to the Iranians?

A No, sir.

Q You were there as the deliverer. Others were talking about whether it was a good idea?

A I was there as also the counterterrorism expe[redacted] Mr. Gates and [redacted] speak for the propriety of passing intelligence to the Iranians.

Q Let me show you the cable, which will be Exhibit 31.

(The document referred to was marked Allen Exhibit Number 31 for identification.)

Just if you would review it briefly and tell me if you saw it at or about the time of its date.

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A I have never seen the cable until now.

Q Did you have a meeting with Ghorbanifar the weekend of the 25th and 26th of January that was attended by Mr. Ledeen?

A I had a tape recorder that kept running when Mr. Ledeen arrived after traveling from Rome to Ghorbanifar's room, 926, in the Churchill Hotel.

Q So the transcript that we have of a meeting which is dated the 25th of January would have been a transcript of a meeting that took place in London; is that right?

A That was, I believe, and I don't know the accuracy of the transcript because I have never looked at it in detail, but that was taken from the tape recorder I used in a meeting with Ghorbanifar, I assume. I would like to see it to identify it properly.

Q Let me show you a transcript of what's called Cassette Number 7, marked Ghorba (MC 2), Senate numbers C-3991 through 4015, CIIN 1527/A, which will be Exhibit 32.

(The document referred to was marked Allen Exhibit Number 32 for identification.)

(Pause.)

A Yes, this is part of the tape that I retained

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after I wrote up my memorandum, I think, of 18 February 1986.

Q Tell me a little bit about how this tape was made. Was this an overt tape recorder or a covert tape recorder?

A Overt.

Q Overt?

A Yes, sir. I put it on the coffee table and said I'd like to tape record what you have to say, and I assume that you will agree, Mr. Ghorbanifar, and he said yes.

Q And this tape would have been made in your hotel room in London?

A No, sir. It was in his hotel room, Room 926, Churchill Hotel, Portman Square.

Q And Mr. Ledeen joined you at some point in the conversation?

A Very late in the conversation and I think we stopped our conversation essentially substantively.

Q How did Mr. Ledeen know that you and Mr. Ghorbanifar were going to be getting together in London?

A He kept close track on Mr. Ghorbanifar and he showed up unexpectedly from Rome.

Q So you didn't anticipate that he was going to be meeting you?

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A No.

Q The tape appears to start in the middle of a conversation. Do you know of any additional transcripts that might be outstanding on this conversation?

A I have turned in all the tapes I have. I don't know of any other cassettes that I have.

Q If you could just glance at the transcript. Is there any other typewritten transcript that you know of of this conversation other than what appears before you?

A Well, I wrote the entire substantive content in the 18 February memorandum.

Q I mean a verbatim transcript.

A I have no other verbatim transcript.

Q So in terms of what might precede where this tape starts you've not seen a transcript of that material?

A No, sir.

Q If you don't mind, the first paragraph or so talks about [redacted] and the like for Mr. Nir. What was that conversation relating to?

A I think it's in my memorandum. And I'd have to refer to that. I believe there's something about [redacted] in the memorandum.

Q It didn't jump out at me.

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A I'd be very surprised if there wasn't.

Q Let me have you pick it out. Let me show you your 18 February memo of the January 23 meeting, which will be Exhibit 33.

(The document referred to was marked Allen Exhibit Number 33 for identification.)

(Pause.)

[redacted]

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Q During the course of this conversation Mr. Ghorbanifar again made a reference to helping Ollie for his work in South America, did he not?

A Yes. I did not recall this until after I started looking at my notes and having talked to the Inspector General's staff, I guess, in November-December '86. He again raised [redacted] where he made what I thought was a rather grandiose statement that [redacted] would provide at this time not $100

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million but $50 million, and I notice in my notes $25 million for him and $25 million for Ollie North.

It seemed to me sort of a very ingratiating type comment which had little or no substance so I certainly didn't record it in my memorandum for the record, because that seemed so far-fetched. I had no confidence that it had any meaning and, of course, I did not pursue it, as my notes indicate.

Q You didn't pursue it in the sense of even asking him how or what he knew about Colonel North's activities in Central America?

A I never discussed what he knew about Colonel North or Colonel North's activities in Central America.

Q Well, me why not. I don't understand that.

A Well, I focus functionally worldwide on counterterrorism, and when I was in the Department of Defense working with Colonel North I did not work on Central America, so I had little or no interest except as just another average citizen in what was going on in Latin America. I'm interested in Latin America from a terrorist point of view and I have focused from time to time on Central and South American terrorism.

But basically on the contra issue I had no knowledge and did not follow it at all. I wasn't even reading the press in any detail about the contra issue,

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so it was really not in my frame of reference. So to me an outlandish statement like this did not merit any particular pursuit.

Q You were aware at this time that it was not lawful for the United States Government to be contributing money to the Nicaraguan contras?

A I had heard of the Boland Amendment and the approach in the Boland Amendment, but I had not focused on that whatsoever.

Q Just in terms of your responsibility as a Federal official, if someone told you that there was an illegal act going on, no matter what the level in the government, you would have explored that?

A If I had bona fide hard evidence that some illegality was occurring I would have taken it to an appropriate official. The fact that somebody was saying, you know, what I want is to join hands with the Agency, I am a turnkey project individual, I have all these very excellent contacts with terrorist groups, Iranian in particular, some with Syrians, some with the Libyans, and I know this great project and if we handle it right and [redacted] they will give us $50 million, $25 million for me, $25 million for Ollie's boys in Central America.

The only thing I recorded which caught my

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attention was the possibility of an operation [redacted] That was not out of bounds. That was plausible. Something like this seemed absolutely implausible and I totally forgot about this.

And the first time I recalled this was after talking with the Inspector General's staff and they brought to my attention in March of 1986 George Cave had written a memorandum on a yellow piece of paper, one sentence that Ghorbanifar said, you know, that we can get some profits out of these arms sales and use them for the contras in Central America. And they said did you not recall reading that, and I very candidly at the time, I said I read the memorandum and I may have read that sentence, but it didn't stand out in my mind and Mr. Cave and I never discussed it.

And a similar couple of comments in my notes like this, I never considered it valuable enough or significant enough or credible enough to put down or bring it to anyone's attention. If I had detailed information and evidence that an illegality was occurring, I certainly would bring it to the attention of the responsible officials.

Q You do not recall making a conscious decision not to inquire into these matters?

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A No, sir, not at all. It just wasn't in my plane of reference. I'm sorry, but it was not.

Q All right. You recall, do you not, that after you put out your memorandum on your conversations of 13 January and 26 January with Ghorbanifar the Operations folks from the Near East division also put out a memorandum commenting on matters which you had touched on in your memoranda? Do you recall receiving that memorandum?

A I don't think they sent me a copy at the time. I've read that memorandum at some point. [redacted] said he was anxious to get my memorandum of particular 18 February because they wanted to do some research and analysis on it. I don't recall that he ever passed that to me at the time when that memorandum was written. I have read it at some point. I read it at some point.

I did not attempt to, you know, do research on this. I felt that was his role to do so. My job was simply to elicit from Mr. Ghorbanifar what he knew, record it in detail. Operational research, name traces and evaluation was beyond my scope. I just didn't have time to do those things. I am unhappy that it was not sent to me immediately. It would have, I think, put a little bit of perspective on Ghorbanifar for me.

Q It was apparently addressed to the Director.

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Did Director Casey not talk to you about this memorandum in light of the fact that you send him two memoranda on Ghorbanifar?

A No, sir.

Q He did not. Okay. Let me show you the memo.

A To the best of my recollection he never mentioned it.

Q Let me show you the memorandum, which will be Exhibit 34.

(The document referred to was marked Allen Exhibit Number 34 for identification.)

If you would look at the memo and identify it as the memorandum that you were given at some point.

A I believe I reviewed it much later.

Q When you say "much later", can you give me a reference? Would it have been in late '86, early '87?

A I think it was probably in late '86.

Q How did it come to your attention?

A I don't recall. I did not see it at the time of the, say, February-March time frame. I did not see it.

Q Now let's go to your meeting of January 29, 1986. There is a passing reference to that meeting in the collection of your notes that's attached to Mr.

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Rizzo's letter, if you want to use that as kind of a way of focusing your recollection.

The note, Attachment C to Exhibit 27, appears to be a handwritten time chart or schedule. Can you tell me, first, what this is an excerpt from?

A It's from notes that I took at the 29 January meeting in the Executive Office Building, Room 370. Colonel North had just returned that day from, I believe, London. He arrived from the airport and called a meeting late in the afternoon or early in the evening -- it may have been 6:00 or 7:00 when we came together.

His secretary called, Ms. Hall, and said that [redacted] and I were requested to come to the Executive Office Building, that Colonel North had some important information to discuss. So I went with [redacted] We probably went separately, but [redacted] and I were there, along with Mr. Koch and Colonel North introduced me to Major General Richard Secord.

Q Just another preliminary. North was returning from London. Who had he been meeting with, if you know, in London?

A I think he had met with Amiram Nir and Ghorbanifar. I think.

Q I understand you weren't there.

A I wasn't there and don't have any notes at

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this stage.

Q But to help me out, on the 26th you were meeting yourself with Ghorbanifar and Ledeen. Did North pass through along the way at that point? Did you see him in London?

A No, sir. I turned around and returned on the 27th.

Q When you were meeting with Ghorbanifar did he indicate that he was anticipating a meeting with North in London?

A I don't recall that he did. I haven't reviewed that transcript.

Q I don't see anything in there. I would have pointed it out.

A I don't recall he mentioned it.

Q All right. Do you have any current knowledge of what North and Ghorbanifar and Nir would have been talking about at that meeting in London?

A The only knowledge I have is what Colonel North told me, told at that meeting, and because Mr. Koch was not fully into the program or the initiative but only partially, he was somewhat guarded as long as Mr. Koch was around during the meeting.

But he stated that he had had a meeting with an Iranian and that an arrangement had been agreed upon,

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a detailed schedule worked out, and then he proceeded to read from a notebook a very detailed schedule, starting one date after the other. And that schedule, that handwritten schedule, later became a printed schedule and he had a very finely developed scenario where eventually a certain amount of equipment, particularly TOW missiles, would be sent to Iran.

As certain segments occurred, hostages would be released, eventually including the remains of William Buckley. At some point Ayatollah Khomeini would step down. And I recall that I laughed aloud at that stage and I believe [redacted] joined me in that.

We didn't think that was terribly plausible, but he was quite serious in the scenario and schedule that he had drawn up. He indicated that that could well slip but that the sequence should remain about the same. He felt that there would be a relatively early resolution of the hostage issue and he spoke briefly, as I recall, about broader aspects of U.S.-Iranian relations.

And I don't recall exactly how he explained all this to Mr. Koch, because he knew that I knew in detail what was happening, as well as [redacted], and certainly Major General Secord, but he was somewhat cautious in describing some of this because Mr. Koch was going to have to arrange, working I guess with CIA, for

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the movement of the TOW missiles from depots where they would eventually go to [redacted] be repackaged and sanitized, and then moved on in some way to Israel and eventually on to Tehran.

So the meeting went on for an hour and a half, I guess, something like that.

Q Your recollection of why Koch was there was primarily because of the need to get the missiles from DOD stocks; is that right?

A That was my impression. And Colonel North I recall cautioned me during the meeting that Koch was not witting of the entire initiative and it was important that we try to keep it as compartmented as possible and that we not be fully open in our conversations. He cautioned me in an aside, saying -- which I appreciated, because he did not give me any advance guidance. I thought Mr. Koch may have known a great deal.

Q With regard to what you and [redacted] knew about one another. You and [redacted] had both known that you were involved in this project before the 29th of January?

A Well, we had known of the initiative for some time, yes. And we knew that there was a Finding. I had not read the Finding, but I knew in general the terms of the Finding.

Q So I can be more precise, so far as you

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understood it, [redacted] was aware that Colonel North was working with and through you on certain aspects of this initiative; isn't that correct?

A I don't think he was working through me. I think he was working concurrently. It was clear that [redacted] would be doing the operational support to the NSC. [redacted] at that stage was very interested in the intelligence, the tasking and collection of intelligence; therefore, we worked out an agreement where I would ensure that he would see [redacted]. I tried to faithfully do that throughout the rest of the year.

I recall once or twice he didn't see [redacted] and he was quite annoyed that I didn't promptly get them to him. So I tried to rigorously give him that information as well as my memorandum for the record. I tried to send him all copies. My secretary was under instructions to hand-carry them to [redacted] office.

Q Let me phrase it another way. When you met with [redacted] and the others on the 29th [redacted] did not evidence any surprise that you were involved in this matter at that time?

A No, sir, at least I don't recall it, since we'd had lunch and discussed the initiative and he already had some of my memoranda.

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Q That was my recollection, yes, sir.

With regard to the money flow that's outlined in this note, I take it that Colonel North outlined the flow of money in this meeting.

A There were some costs spoken about, shipment costs, I see. Yes, he outlined some broad figures which I tended to jot down.

Q But he also outlined at this meeting, I take it, how the money was going to pass -- that it was going to go from the Iranians to the Israelis and from the Israelis to Ghorbanifar -- excuse me, from the Iranians to Ghorbanifar, Ghorbanifar to the Israelis, and the Israelis on to Secord. Isn't that basically what he was telling you?

A My arrows would suggest that you are correct in that statement.

Q Was that the first occasion that that kind of flow of money had been outlined to you?

A Absolutely. That came as a revelation on just how monies might actually flow in this and that Mr. Secord would then send the monies that it cost the Agency to repay DOD as well as associated costs of packaging and sanitizing the materials and transporting.

Q Was there discussion of why General Secord was being inserted as a conduit in the money flow at that

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point?

A No, sir.

Q There was not?

A No, sir. He was quite silent.

Q Secord was?

A During most of the hour and a half he only occasionally made a comment -- very, very quiet.

Q With regard to the reason for the Israelis being inserted in this flow of cash was there any explanation of that given to you at this meeting?

A No, sir.

Q If I'm understanding what happened, North basically said this is the way it is but he didn't explain why this is the way it was; is that right?

A He indicated that the money flow would be this way and that the Agency would be reimbursed. We had to have assurance, as I recall, that the actual money would show up into a CIA account before we moved the equipment. I recall some discussion along those lines. But I was more, you know, looking at this as an opportunity to do more collection tasking and knowing the schedule.

Q In terms, though, of what you do recall about the meeting, do you recall any discussion of the risks to operational security of having intermediaries outside of both governments inserted into this kind of a process?

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A Out of both governments?

Q Instead of government-to-government transfer.

A Outside of?

Q Let me come at it another way. Was there any discussion of operational security concerns arising out of using private intermediaries in this kind of a transaction?

A I don't think there was any discussion, certainly at that time, and during the course of this initiative I think Mr. Cave and I thought about this on a number of occasions, but at that time there was no discussion of those operational risks.

Q One curiosity I have, based on what a number of people have said from the Agency, you all treated this thing, I gather, in January as being essentially a support function. You were going to do what the NSC needed help on, but it was their baby. Is that the way you all perceived it?

A We had been assured by Mr. McMahon and Mr. Gates that there was a Finding -- at least I had been assured at the meeting on 25 January -- that we were going to provide some intelligence support and we were going to provide some assistance in moving U.S. weapons through a number of cutouts ensuring that that money -- those weapons arrived in Iran -- that there was a funding

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mechanism that had been set up to ensure that the United States and the Agency would be paid before it undertook this activity, but that this was Presidentially-approved, that the Directorate of Operations was to support it.

My role was to continue to ensure that we had some checks on the intermediaries in the best way possible, that we had to know what Ghorbanifar and other elements in Iran were up to. So I looked -- the reason I was asked to come there was that Colonel North wanted intense intelligence collection and checks the best we could on Iran, the government of Iran, and on the Iranian intermediary.

So yes, I viewed it as a fact that the Agency had been asked to support this by the President of the United States.

Q You were all aware, however, that Colonel North, whatever his virtues and skills, was not an experienced operations officer in his own right -- that is operations in the sense of covert operations?

A I was aware he was not part of the Agency and considered an experienced operations officer. I'm not going to comment on Colonel North's qualities or abilities.

Q I think it is worth commenting, Mr. Allen. Let me tell you where I'm coming from so you don't take

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it amiss. It would seem to me that you and [redacted] in particular are very experienced men in this line of work. [redacted] has been doing it for decades, I guess -- a long time.

A He's much older than I am.

Q What I'm curious about is you all apparently for some reason didn't feel it appropriate to advise and counsel Colonel North when, if you did, you thought he was making operational judgments that might be questionable, and I would like to know why. Why didn't you say, Ollie, wait a minute. Maybe you ought not to do it that way.

A You mean at this juncture?

Q At that juncture.

A Right now?

Q Yeah.

A At the time we, as I told you, I had already had discussions with Mr. Casey about this and I think he viewed it as a high risk operation. At this stage I was simply trying to absorb a lot of new information on funding techniques, on schedules. There was a feeling that this would be over with fairly quickly and successfully.

In retrospect, if we could always think back and do differently, I probably would have cautioned him

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that Colonel North was an individual I could talk to candidly. Particularly in my OSD days I took Colonel North on a number of times successfully. But I did not question at this stage.

Q Is that because you -- let's talk about you -- you did not really see an unacceptable level of risk at this point?

A I think that's basically it. I knew and I had dwelled on the point that, certainly mentally and internally, that there would be political fallout if this was suddenly exposed, but at the same time I recognized the political value if this was a success, particularly in narrowing the problems in southwest Asia, and that was my principal concern at that time.

I had suddenly been saddled for 30 days with the hostage problem, which was taking up an inordinate amount of my time. I also wanted that resolved, very candidly, very pragmatically, and I did not think that was an ignoble objective, to try to save the lives of a number of Americans in Lebanon.

Why I did not question it? At this stage it had not been tried. This was a new approach and there was a certain plausibility to it, that it might be -- sometimes private initiatives in our history have proven to be very successful.

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Q Let me deal with the risk factor, though, as it relates to intermediaries because that's what truly puzzles me, and maybe it is the benefit of 20/20 hindsight, but I want your thoughts on it. It would seem to me here, where I gather you were not being told of how you would determine what the Iranians were going to pay, that that was kind of left out there, something you all weren't going to know about.

Nothing causes people to get mad and take revenge quicker that I can think of aside from being scorned in love than stung for money. And that danger would be inherent in this kind of a setup.

A It was potentially there, and I agree with your comment, that people who are out money can be very revengeful. At this stage, though, I had no inkling that there would be a true falling out in the summer of '86 and that this thing would go on. We had the feeling, really, that there was a finite process in motion, that

[redacted]

I think that also shaped my thinking, recognizing that the Israelis would like nothing better than to influence us in certain ways to further Israeli interests. I think we always realized -- at least I did

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-- the Israeli agenda here. I can't speak for others.

But at this stage it was a plausible scheme and potentially workable. The schedule, as you recall, was typed up and a copy was made available which I think was kept in Mr. Clair George's safe, as I recall -- I may be wrong in that -- but it was kept in someone's safe.

Q Let me give you another operational security question. You certainly were aware, whether you read it or not, that General Secord had unkind things said in the press about his involvement for money with Wilson. You were not aware of that?

A Let me jump ahead a little. As soon as I recognized Mr. Secord was involved, I recall discussing this with [redacted] said this name sort of rings a bell. You better check into it and ask some people [redacted] what they know about General Secord. [redacted]

And he discussed this, I think, with [redacted] and [redacted] recalled that Major General Secord had resigned from the Pentagon. He was on the list to make three-star, and just at the time he was on the list to be promoted it came to the attention of Mr. Carlucci that Mr. Secord was involved in some

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problems with Mr. Wilson and the star was taken away and Mr. Secord retired from the military.

And through [redacted] made known the background on Secord and indicated that he had had some problems in the past. But I got that, I think, you know, sometime in February and that worried me, yes.

Q With that worry, did someone, you for example, go to Colonel North and say, Colonel North it's not necessarily a good idea to get somebody that the New York Times is particularly interested in in the position of being the guy that's handling the money going to and from Iran? Any suggestion of that sort raised to Colonel North?

A I don't recall raising Major General Secord's reliability in the February-March time frame.

Q Any recollection of [redacted] or operations people would have brought that to the attention of Colonel North as something to give some thought to?

A I recall that they never told me about it. Let me put that properly. To the best of my recollection, they never discussed -- [redacted] never discussed that with me.

Q Let me flip it around. Did Colonel North ever tell you in the January-February-March period of time why he was placing particular reliance or confidence in

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General Secord?

A He spoke highly of General Secord's ability to quickly get things done and to cut through the bureaucratic process. It's clear he had high regard for Major General Secord.

MR. WOODCOCK: Let me ask a quick question. Did you share with [redacted] the information that you received on Mr. Secord?

THE WITNESS: I don't think so, but I don't recall.

BY MR. KERR: (Resuming)

Q What was your relationship with [redacted] during that period of time? Was it strained or did you have a very comfortable relationship?

A It was cordial. He was working in a different aspect of this and quite busily, along with all of the operations of the Near East/South Asia, and I was focused on global terrorism. This clearly took extra hours of my week, but I did not have time much to sit and reflect on this from an operational security point of view or reliability of intermediaries. If I had nothing else to do but focus on this -- and that was, I think, the beauty that Mr. Cave came in on 5 March and he essentially ended up spending most of his time working out of my office.

Q Just one other question on that. By the end

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of January, moving into early February, Mr. Clarridge has done his report which ultimately is used as the basis for [redacted] That process was well under way by the end of January '86; isn't that correct?

A Yes. A decision had been made to form [redacted]

Q Had the decision that you would be a part of [redacted] also been made at that point?

A Sometime around that time frame, yes.

Q Was there thinking at that time of taking the hostage issue, at least as it related to Lebanon, away from the Near East Division and putting it into [redacted] as of January-February '86?

A There was. Mr. Clarridge wanted it under his aegis, but that process was negotiated over a period of months after that, and even though [redacted] followed hostage issues it wasn't until later in the spring or early summer that the entire account came to [redacted] from an operational collection point of view.

Q You were aware that [redacted] opposed having the hostage matters in Lebanon taken from the jurisdiction of Near East and put into [redacted] isn't that correct?

A It's my understanding from discussions with Mr. Clarridge that [redacted] would have preferred to

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have kept the hostage issues under his aegis. [redacted] was making what he believed to be good progress at the time. In fact, I was quite encouraged with some of the collection efforts under [redacted] aegis.

Q Did that jurisdictional evolutionary process affect adversely your relationship with [redacted]?

A No, I don't think so. That was a matter between senior officials of the Directorate of Operations and I was not involved in that decisionmaking. I was more interested in the collection results, also in getting requirements to the field as Director of the Hostage Location Task Force. That was my focus.

Q By this point in time, late January or early February 1986, you had become aware, had you not, that Mr. Ghorbanifar was doing business with Mr. Khashoggi on arms deals?

A Can we take a break? I'm starting to fade and I want to be able to answer these questions as precisely as possible.

(A brief recess was taken.)

BY MR. KERR: (Resuming)

Q Where were we? We were going to talk about Ghorbanifar and Khashoggi. Mr. Allen, I was trying to ask a question before we broke. Let me try it again.

In terms of your knowledge of Khashoggi being

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a part of Mr. Ghorbanifar's, the business side of Mr. Ghorbanifar's efforts on this transaction, were you aware that Khashoggi was playing a role by late January-early February of '86?

A I don't think so. I don't think that I knew he was involved in the financing aspects. Sometime during the late winter or early spring of 1986 Mr. Ledeen mentioned that he had had dinner in London with Khashoggi and Ghorbanifar and spoke of what an extravagant dinner it was indeed. So I won't proceed further with any more descriptions.

But that suggested to me, at a minimum, the two knew each other, but he did not speak, Mr. Ledeen, of Khashoggi being involved that I can recall, being involved in the financing.

Q Let me try to refresh your recollection, if not as to this transaction at least as to the existence of major transactions that Khashoggi and Ghorbanifar appear to have been putting together. Let me show you a memorandum from [redacted] dated February 10, 1986, CIIN number 1025, and with it is CIIN 1026, 1027 and 1028, the last of which appears to be addressed to you, Mr. Allen. That will be Exhibit 35.

(The document referred to was marked Allen Exhibit Number 35

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for identification.)

A Yes, I recall seeing this last document at some point.

Q Do you recall it being in the February '86 time period?

A I can't put a date on when I saw it. I take it on faith that this was sent to me in the February time frame.

Q End of February or beginning of February?

A I said in the February time frame. I assume at the beginning of February.

Q Do you recollect who sent it to you and for what purpose?

A I don't recall who sent it to me. It clearly came from the Directorate of Operations and it could be someone in the Near East Division sent it to me, and I assume that's where it came from, for my information, because they knew that at that stage I was maintaining some, at least, telephonic contact with Mr. Ghorbanifar.

Q In terms of the reference to Mr. Khashoggi and his relationship to Mr. Ghorbanifar, did you make any use of that information?

A [redacted]

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[redacted]

So after some discussion I don't think I pursued it. I've always regretted I didn't.

Q Do you recollect bringing this Khashoggi aspect to Director Casey's attention?

A I don't think I did. I don't recall ever doing it, no.

Q So in this period of time you have no at least present recollection of having a discussion with Casey that Khashoggi was involved in some fashion with Ghorbanifar?

A No, sir, I don't have a recollection.

Q And similarly nothing was said to you by Casey about business relations or acquaintances he had that had done business with Khashoggi?

A No, sir, he didn't.

Q According to the Tower Commission, Colonel North was in London to meet with Ghorbanifar and Mr. Nir on February 5, 1986 and he returned on or about February

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7 and met with you, either [redacted] Mr. Koch and General Secord. Do you recall the events of February 5 through 7, '86?

A Well, I think I can clarify that. I think that that particular reference was to the 29 January meeting and I believe there was only one meeting, and I think I caused the confusion by stating that I thought the meeting occurred around February 7 and [redacted] said he felt that that was the wrong date. He couldn't put a time frame on it, but he thought it was in January. [redacted] was correct, because I later discovered my notes saying it was 29 January. There was only one meeting, sir.

Q The only problem with the chronology is apparently the Tower folks are making reference to a North calendar that shows him returning from London on February 7. Do you happen to have a calendar that would show when you would have met with Secord, et al. to have this meeting which shows up on your notes?

A The Independent Counsel has my calendar, doesn't he?

MS. MC GINN: I'm not sure. If you gave it to us, he has them.

THE WITNESS: I don't have my '86 calendar, sir. It has been gone for weeks. I as a general rule,

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however, instructed my secretary on sensitive meetings relating to this initiative never to put it in the calendar.

BY MR. KERR: (Resuming)

Q All right. So the meeting that we have been discussing as being the January 29 meeting by your recollection would be the meeting the Tower Commission references as being in the February 5-7 period of time?

A I think so, and I think I contributed to the confusion. I think [redacted] had the correct time frame, although he didn't have a specific date. He said late January.

Q That's fine. Thank you.

Now I want to break away from Ghorbanifar, Iran and the like for a moment and go to knowledge that you would have had of a potential money for hostage transaction, specifically the payment of money, whether one characterizes it as bribes or ransom, to folks holding American hostages. We talked about that the other day.

I wanted to show you two documents, one that we talked about this morning, the January 15 document, but also a memorandum dated February 7, 1986 which refers to you, Mr. Allen, I think, in passing, and I don't mean to suggest to you that you necessarily even saw this

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memorandum, but I'd like you to look at it and keep in mind the January 15 item that I showed you earlier this morning and see if it gives you any further recollection of knowledge that you would have had in the January-February '86 period of a proposal or program or possible operation involving the payment of money to people holding American citizens hostage.

The item I am going to show you is a February 7, 1986 memorandum, our number N-9213, and consists of one, two, three pages relating to [redacted]

(The document referred to was marked Allen Exhibit Number 36 for identification.)

A I think his name is [redacted] Do you want me to comment on this?

Q Yes, sir.

A When I became Director of the DCI Hostage Location Task Force I became aware that a consultant to the Department of State's Office for Combatting Terrorism, Mr. Terry Arnold, had been working on a number of projects for Ambassador Oakley and that he had had contact with [redacted] He, [redacted] was under indictment at the time, had had his passport lifted. He was either under indictment or had been indicted, had been tried. I don't

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know precisely what it was.

He had come through Ross Perot's, a senior official in Ross Perot's organization had asked Colonel North to look into the fact that [redacted] had some extraordinary contacts [redacted] had lived life truly in the fast lane -- and that he felt that this individual might have contacts that could assist in freeing the American hostages.

Mr. Arnold, at Colonel North's request, had been working with [redacted] and Mr. Arnold is a rather benevolent retired Foreign Service Officer back on contract -- or was back on contract. Colonel North wanted someone else to assess this fellow. I met him once in Washington. [redacted] had been interviewed one or more times by the FBI.

I bought this chap dinner. I did not like what I saw. He was talking about contacts. I gave him no encouragement whatsoever, called Colonel North the next day and said that this man is untrustworthy. I don't think he had the access. I gave him an assignment. I said if you really have access [redacted]

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[redacted]

When you give me [redacted] I think perhaps you have some credentials. I don't know any of the details on some of his grandiose schemes. [redacted] continually tried to stay in touch with Arnold. He continually called the Department of State. He had some officials of Ross Perot, I think, calling Colonel North on this. He was a genuine nuisance.

The last time he caused problems was in the late summer of 1986, when he confronted [redacted] and frightened [redacted] and I called Mr. Buck Revell and Mr. Buck Revell sent some agents to visit [redacted] and I think that's about the last I've dealt with him.

Q So in terms of knowing anything that you would consider concrete in terms of a proposal to pay money for American hostages, this does not stir any further recollection?

A That doesn't hold water. Colonel North, Mr. Arnold, no one in the U.S. Government had any confidence in this individual that I consider sleazy.

Q Do you know who the author of this memo is?

A It looks like it's prepared on White House/NSC type print. The material clearly is Mr. Arnold, because

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he used to send me memos on [redacted] and I have a file, or the hostage location task force has a file on [redacted] It may be that Mr. Arnold had that composed over at the White House, but I shouldn't speculate. It's not my business.

Q Thank you.

A I think Colonel North accepted my view that [redacted] was a man that offered nothing for the U.S. Government.

Q With regard to your relationship with Mr. Ghorbanifar, we have a number of memoranda of telephone conversations that began in February and continued in one fashion or another for quite some time thereafter. How did it come to pass that Mr. Ghorbanifar and you became correspondents, if you will?

A This was basically while he was working for the NSC. It was believed, and Colonel North asked that I remain in contact with him as a way to stay in touch with where he was. [redacted]

At the same time, Mr. Casey had made a decision that we would continue to, if I can use a colloquial expression, string Mr. Ghorbanifar along,

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showing interest in counterterrorism, that as soon as he helped resolve this NSC initiative that we would certainly turn to him on counterterrorism. Now whether Mr. Casey was really serious in this, I don't know, but that was the idea.

I was to, and the idea was conveyed to him, I believe, by more than just me, that we were interested in what he had to say about terrorist matters. So it became sort of a habit that he would call once in a while and convey to me some certain information and then, as we came closer to the McFarlane trip Colonel North asked me to contact him from time to time on specific developments.

Q Why was it felt that these kind of contacts could not be turned over to someone else?

A It could have been handled by someone else.

Q To put it another way, Mr. Ghorbanifar is getting a very highly paid, highly skilled, b government standards, case officer support here.

A Well, it took a little time to converse and for him to convey some information. Then I would write it up and make it available to [redacted] Mr. Cave, Mr. Clarridge, Colonel North, and I'd keep a copy for myself. And if it were of sufficient interest I'd send a copy up to the Director and Deputy Director.

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Q In terms of the decision, though, that you were going to be the contact point, was that simply a matter of evolution or direction by Casey?

A I remember Clair George talking to me one day on secure. I was at the White House, and I can't remember quite the topic. But he said, well, you're in essence his case officer for the time being. Just stay in contact with Ghorbanifar, and I did.

Q Let me show you a couple of memoranda, a memorandum dated February 10, 1986, a February 8 and February 9 telephone call. We're not going to spend any time with them, but if you'll just identify them as being yours.

(The document referred to was marked Allen Exhibit Number 37 for identification.)

And then a February 19, 1986 memorandum on a February 10 telephone call. That will be Exhibits 37 and 38.

(The document referred to was marked Allen Exhibit Number 38 for identification.)

(Pause.)

A Those are my memos.

Q In terms of these conversations that you were

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having with Mr. Ghorbanifar, apart from making notes and ultimately preparing a memorandum did you record those conversations in any fashion?

A I recorded some of those conversations, and I'm not sure. I think that started in February '86.

Q February '86?

A Yes.

Q Could you tell me how you would have made those recordings?

A With a recorder provided to me by CIA's Office of Security. [redacted] made them available to me.

Q [redacted]

A [redacted] as I recall.

Q And this device would have been attached to what phone -- your phone at the office or your phone at home?

A Both.

Q Is it a portable device you just plug into the telephone? Okay. And it would have generated cassettes? It's not a reel-to-reel, I assume.

A I had a couple of cassettes that I used. I'd use them over and over.

Q That's the next question. When you recorded a conversation in February 1986 and did a memo, would you retain the recording?

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A No, sir. I kept no master list.

Q So you would use the recording to prepare your memorandum.

A Yes, sir.

Q And then recycle the tape. Is that what happened?

A That's correct.

Q On the February 10 call just one note in passing. The date of that telephone call, February 10, is the date that $3.7 million came into the CIA's [redacted] account. There's nothing I recollect about that being mentioned in the telephone call. Do you have any recall of Ghorbanifar keeping you abreast of money flow during this period of time?

A No. I learned of those either from Colonel North, that they had showed up in, say, Mr. Secord's account, or I learned it from the Directorate of Operations that it had showed up -- [redacted] or I remember one time I think Mr. Juchniewicz mentioned it had shown up. No, he did not talk about fund flows.

Q The next day, February 11, 1986, General Secord is shown as having met with Director Casey at Director Casey's office. Any knowledge that you had of the meeting between Secord and Casey on February 11, 1986?

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A No.

Q February 13 and 14, 1986, the Army delivered its TOW missiles to the Central Intelligence Agency. Were you being kept posted on the status of the TOW arrangement at that time?

A Yes.

Q And this would have again been North that was keeping you posted?

A I believe I was obtaining that from talks with Operations Directorate people.

Q At any time --

A And I didn't try to keep minute following of this, but I generally was aware of when the TOWs were being moved and the status of their sanitization and packaging.

Q We know that HAWK parts got talked about later on in the year. Were you aware of any discussion of HAWK parts at this period, January-February 1986?

A HAWKs. I recall HAWKs became a subject when a list was prepared of 240 items and Colonel North was anxious that a copy of this be made available, I believe, to the Director of Operations and somehow either I picked up the list that he had acquired --

Q I'm going to trouble you with that in a moment. Most people place that in March. What I'm

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looking at is whether you have any recall of basically two HAWK part situations, one occurring early in 1986, earlier than March, and then the actual list coming in in March of 1986.

A I don't know. I'd have to go back [redacted] There may have been [redacted] to HAWK missiles. I would not be surprised if I found them, but I don't recall.

Q There was a mention in, was it [redacted] interview where he mentioned the HAWK parts? [redacted] had some recall of spare HAWK missiles or spare HAWK parts.

MR. WOODCOCK: [redacted] recalled two different HAWK spare lists. He recalled one in January of 1986 and another in March of 1986.

THE WITNESS: Please identify the [redacted]

MR. WOODCOCK: [redacted] at that time was [redacted]

THE WITNESS: There's a [redacted] who also knew about this initiative. I know who you're talking about. I can't recall a list in January. I know in early March a list was provided of 240 line items by the Iranians to Mr. Ghorbanifar, who provided it, I guess, to the United States.

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BY MR. KERR: (Resuming)

Q I want to come back to this Ghorbanifar raising of money -- raising of the issue of money going to the contras. Thus far we've talked about a reference to it that occurred on January 13. There's another reference of January 26 that we saw relating to the tape-recorded conversation and your notes on that meeting.

There apparently is another reference to money for the contras in a conversation that is said to have occurred February 18, 1986, between yourself and Mr. Ghorbanifar. That is the Tab D reference to Exhibit 27.

If you would look at Tab D perhaps you can tell me first how it is that we know that that was a February 18 telephone conversation.

A Well, as I pointed out, Mr. Rizzo did not show his memorandum to me. He did not clear it with me, and I did not see it until it showed up on my desk. These are notes, Attachment D, these are notes that I took in London on the 26th of January, 1986.

Q So Mr. Rizzo's attribution of these notes to February 18, 1986, is in error; is that right? The Tab D reference is in the letter on the second page.

A That is absolutely in error and Mr. Rizzo should have checked that with me before he sent the damn memo down here.

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Q Let me come at you another way on that, Mr. Allen. You have written notes of the January 26 meeting. Were they collected as a group somewhere when last you saw them, marked as your notes of the January 26 meeting?

A Were they collected and properly marked?

Q Properly or improperly, but at least kept together.

A They are in a separate notebook, sir, spiral notebook.

Q When last did you see that spiral notebook?

A Probably in January.

Q Okay. And you don't know, sitting here today --

A January or February. The Inspector General may have asked me about it in the February time frame, so they showed it to me, but they took it away, I think.

Q You don't know today whether that notebook is on the box I've not seen yet?

A I'll take a look at it tonight.

MS. MC GINN: Off the record.

(A discussion was held off the record.)

BY MR. KERR: (Resuming)

Q There's a reference in the Tower Commission report to a meeting Mr. Ghorbanifar had with yourself and Mr. Allen on the 18th of February. Do you have a

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recollection of such a meeting?

A You said a meeting with Mr. Allen?

Q I'm sorry, [redacted]

A That Mr. Ghorbanifar met with me and [redacted] on 18 February 1986?

Q I think I've gotten that scrambled, so let me go back.

A I recall no such meeting.

Q You are right. My error, Mr. Allen. I apologize.

With regard to the meetings that took place in Frankfurt on February 20, whe[redacted] and Mr. North and Mr. Nir went out to meet Mr. Ghorbanifar and apparently hoped to meet [redacted] did you participate in the preparation for that attempted meeting on 20 February?

A No, I did not participate in the preparations. I was aware the meeting was occurring [redacted]

Q Mr. Ghorbanifar apparently tried to reach you or did reach you during that period of time. On February 23, we have a transcript of that call. This will be Exhibit 39.

(The document referred to was

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marked Allen Exhibit Number 39
for identification.)

If you would look at Exhibit 39, I would like you to identify it for me, if you can, as a transcript of a telephone conversation that you would have had on the 23rd of February 1986 with Mr. Ghorbanifar.

(Pause.)

A I believe that's a conversation I had with Mr. Ghorbanifar.

Q That memo appears to be a verbatim record of the conversation. Can you tell me in some instances we would have had verbatim transcripts and others summaries?

A I guess I had more time. I probably asked my secretary to do this one. I didn't -- if it -- I can't answer that question. I don't recall.

Q As to that tape, it too went the way of the others?

A I don't know that I have that tape. I reused the tape again and again.

Q Mr. Ghorbanifar appears to be objecting to Mr. Hakim in this telephone conversation with you. Do you recollect that objection being voiced, and am I right that it's Mr. Hakim that's being objected to?

A At the time, I wasn't certain, as you can see from my conversation of the individual to whom he was

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referring, and based on my knowledge at this point it appears that it was Mr. Albert Hakim.

Q Did you bring that issue to Colonel North's attention?

A I don't recall. I made this available, probably, to Colonel North because my secretary had a very limited dissemination list for these sensitive contacts.

Q Nonetheless, on the period February 26-27, when the trip to Frankfurt is made, Mr. Hakim goes on the trip; isn't that right, acts as translator?

A On the 26th and 27th of February? I don't know.

Q You don't remember?

A I don't recall being told that Mr. Hakim was there, unless there's reference in my notes somewhere to this effect. I was not aware that Mr. Hakim was there as a translator. It's conceivable that I was told that, but I don't remember. I just frankly don't remember. I think [redacted] was there, Colonel North, Mr. Nir. I thought Mr. Secord was there, but I don't know -- Major General Secord. I think Major General Secord was there.

And I believe [redacted] came up.

Q The only thing I'm really interested in is whether or not you recall any discussions with any of

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those folks about taking the risk of offending Ghorbanifar by having Hakim join the gathering in light of his concerns about Hakim.

A I can't recall that. The memo, I am certain, was made available to some of the participants in the meeting.

Q When the meeting broke up, which would be about the 26th of February, 1986, North sent a memorandum to I believe it was Admiral Poindexter saying that Mike Ledeen appeared to have a financial interest in the arms transfer. Was that concern on the part of Colonel North about Ledeen having a financial interest in these matters ever conveyed to you?

A What was the date of Colonel North's memorandum?

Q It would be February 27, 1986.

A At that time frame I believe I had heard Colonel North express concern that Ledeen was in some way financially involved in the transaction, but I do not recall the specifics. At that time I heard no specifics on such types of financial arrangements that Mr. Ledeen may have had.

Q All right. Do you have any further recollection of what it was that Colonel North said he was relying on to have these concerns or reach the

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conclusion that Ledeen had a financial interest in the transaction?

A At that specific time?

Q At or about that time.

A Not at that time, no, sir.

Q Did there come a time when you learned the basis for Colonel North's view that Ledeen had such an interest?

A Not Colonel North's view. Mr. Nir, when he was in Washington in September 1986, came to the Agency to meet on a variety of counterterrorism developments, and I recall walking him out to the front entrance and he stated that it was his belief that Mr. Ledeen had a financial interest still in the transactions involving the United States and Mr. Ghorbanifar, and he made some statement to this effect.

Q Did you ever have occasion at any time to talk to Mr. Ledeen about whether or not he had such an interest?

A He called me after the Tower Commission report was published and vehemently denied it.

Q Other than that conversation, post-Tower Commission report, you had had no conversations with Mr. Ledeen about this matter; is that correct?

A Not that I recall. To make the record full, I

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did convey w at Mr. Nir had told me in September to Colonel North.

Q Yes, sir. Thank you.

With regard to the trip that was made by Colonel North, [redacted] and Mr. Cave to Paris on March 7 and 8, 1986, what role, if any, did you have in preparing them for that trip?

A Mr. Cave had come by on March 5. That's when he was first briefed on this sensitive White House initiative. [redacted] brought him over, I believe, to my office and stated it was important for me to brief Mr. Cave on everything that had transpired to date. It was also important that Mr. Cave be shown [redacted] I had known that Mr. Cave was coming aboard, at least was coming to focus on this because [redacted] had commented in the February time frame, because we were trying to have lunch about once a week, that he felt it was important to put someone full time on who was an experienced Iranian specialist and Farsi speaker, and I certainly agreed with that.

So I prepared Mr. Cave as best as I could on what I knew about the activities to date.

Q With regard to the March 7 meeting, March 7 and 8 meeting, did you have discussions with North and/or Cave and/or [redacted] after they returned about what

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transpired at that meeting?

A Yes. I talked certainly with Mr. Cave. I also talked with [redacted] who expressed optimism that [redacted] was indeed a powerful individual reporting directly to the Prime Minister, and I recall [redacted] having some optimism that the initiative would succeed.

He said this man, [redacted] can make decisions, [redacted] he's tough and he can get things done.

MR. WOODCOCK: I gather he didn't mention at that point that he had also met with --

THE WITNESS: That came in the May time frame and Mr. Cave cited it to me numerous times. George has a way with words at times.

BY MR. KERR: (Resuming)

Q Mr. Allen, you testified a little bit earlier that you had seen Mr. Cave's memorandum of what occurred at the March meeting.

A Yes, sir.

Q Let me show you Mr. Cave's memorandum of that meeting which I'd like to have marked as Exhibit 40.

(The document referred to was marked Allen Exhibit Number 40

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for identification.)

If you'd look at Exhibit 40, I'd like you to tell me if that is the Cave memorandum following the early March meeting.

(Pause.)

A I've read the memorandum. Mr. Cave probably put it together over in my office.

Q And you would have read it in early March, I take it, the first couple of weeks of March?

A Yes, sir, I would have read it as soon as it was typed, as soon as copies were made.

Q And this memorandum is the memorandum that does in its conclusion make reference to funds for Nicaragua; isn't that correct?

A That's in the final paragraph, sir.

Q Right, the paragraph that says: He -- being Ghorbanifar -- also proposed that we use profits from these deals and others to fund [redacted] We could do the same with Nicaragua.

Now, as I understood what you told us a little bit ago while you read that, that did not make any significant impact upon you; is that correct?

A That's correct. And after the Inspector General's staff raised this with me when they were doing their investigations, I went back, I believe, and read

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the memorandum again, and I don't know that it helped my memory all that much. I may have vaguely recalled a reference to this in the memorandum.

Q And sitting here today you have no recall of having discussed this matter with Mr. Cave?

A No, sir.

Q Have you and Mr. Cave had occasion within the last several months to discuss this memorandum and compare recollections on whether or not there was discussion on this point between the two of you?

A After the Inspector General had raised this memorandum of Mr. Cave and after I had looked in my notes of my meetings with Ghorbanifar, I mentioned to Mr. Cave that there had been a couple of passing references by Ghorbanifar to the same matter but that I had forgotten it. We did not at that stage recall ever having discussed this memorandum that Mr. Cave prepared as to the final reference to Ghorbanifar and profits.

Q In a word, he had no further recollection of having had discussions on this item with you any more than you did, is that correct, given what he told you?

A Yes. I think we both commented that, you know, Ghorbanifar was wont to make these kind of sort of sweeping statements and we paid little heed to them.

Q There are a series of conversations that you

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apparently had with Mr. Ghorbanifar and, from time to time, Mr. Nir in March, including conversations relating to his apparently being in financial difficulty. I want to run those memos by you quickly.

Let me show you a series of memoranda which I think we'll just mark collectively: Memorandum dated March 9; call dated March 11, 1986; a memorandum of a March 20 call dated March 21, 1986; memorandum of a March 24 call dated March 24, 1986; memorandum of March 28 call dated, excuse me, March 27 call dated March 28, 1986; another March 27 call dated March 28, 1986; yet another dated March 28 on a memo dated March 30, 1986; another on March 28 dated April 2; and March 30 a memo dated April 7, 1986; and March 31, and that one's dated April 2, 1986.

Let's mark it collectively as Exhibit 41.

(The document referred to was marked Allen Exhibit Number 41 for identification.)

Mr. Allen, all I need to do is essentially have you flip through them and tell me if they are your memos of those conversations. Let me add two more to the list -- a March 17 telephone call and March 18 memo, and a March 11 call and a March 12 memo. I think that does March.

(Pause.)

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A Those are my memoranda.

Q With regard to what's related in those memoranda, by the time we get to late March, March 24, 1986, there's an indication in the memorandum that Ghorbanifar is in financial difficulty and that Mr. Nir is supporting Ghorbanifar. Apart from what the memoranda themselves say, what did you know about the nature of Ghorbanifar's financial difficulty and the nature of the support he was getting from Nir?

A [redacted] Other than that, I have no specific knowledge of Mr. Ghorbanifar's financial troubles, except what Mr. Nir had asserted, that he had to go into, I believe, his wife's account in order to cover some of the cost, [redacted] and that Ghorbanifar was helping [redacted]

I have no specifics except what's in these memoranda on what Mr. Nir and the Israelis were doing for Mr. Ghorbanifar. So I can't offer any further enlightenment. It's the first time we had any evidence

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that Mr. Ghorbanifar was beginning to suffer financial problems.

Q But in terms of how Nir or how Israel was helping Ghorbanifar, you didn't get any flesh on those bones? You didn't know what they were doing?

A I've dealt with the Israelis and they don't give you much flesh on bones.

Q Do you have a notion of whether it was business transactions or a loan or they put him on salary? None of that? You don't know?

A I don't know. Mr. Nir in essence was acting as Ghorbanifar's case officer on a day-to-day basis.

Q The March 27, 1986, telephone conversation is from an unnamed NSC person. Was that Michael Ledeen that you were talking to?

A That was Mr. Ledeen.

Q [redacted] you in essence that Ghorbanifar was made at the CIA; is that right?

A Precisely.

Q Now why was he unhappy about the Central Intelligence Agency?

A [redacted] he had heard from his friend in California, who said that her apartment had been entered. He also conveyed that a man named Furmark -- and I did

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not know how to spell Furmark at that stage -- a business associate in New York had had his office entered as well, and Mr. Ghorbanifar suspected the Central Intelligence Agency.

Also, Mr. Ledeen, as I point out here, stated that we were not assisting him in his work in the area of counterterrorism. So I only recorded what Mr. Ledeen conveyed to me. As I have indicated, my role was to string Mr. Ghorbanifar along on the issue of terrorism, keeping him focused on the principal matter. Those were the instructions of Mr. Casey and I carried out Mr. Casey's instructions, I think, very faithfully.

Q In terms of Ghorbanifar's relationship with Furmark, any elaboration on that at that point?

A I never even researched the Furmark aspect. I don't know why I didn't -- I wish I had.

Q So you did not raise Furmark's name with Casey and you didn't do any kind of tracing to see who this Furmark character was at that time?

A No, sir.

Q You would have circulated this memo, correct?

A Yes, sir.

Q Would you have circulated it to Mr. Casey?

A I don't know.

Q All right.

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A Certainly the Deputy Chief of NE would have obtained it, and Mr. Cave, and Colonel North and people of that nature, because [redacted] came over and discussed the alleged entering of the girlfriend's apartment in California. I remember him mentioning that to me.

Q Why was that of interest to [redacted]

A I don't know.

Q There was no CIA involvement in that action, I trust.

A Not to my knowledge. I don't think that that occurred as far as CIA is concerned.

Q Did you then or do you now have any knowledge of who might have been entering one or both of those locations apart from common thieves?

A I have no evidence. I have no knowledge.

Q Did Mr. Furmark ever talk to you about the entry into his office at this period of time?

A No.

Q Which is another way of saying you never had occasion to talk with him in which he indicated that there was no theft of money or goods but documents appeared to be missing as a result of this entry, not because it says it in the memo but because you have talk to Furmark? Furmark never told you about this entry in

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any respect, I take it.

A No, sir. And when I met Mr. Furmark in October '86 I had not connected him with this memorandum at all and had forgotten the name Furmark had been recorded in such a memo.

Q When we come to March 28, just reading the memorandum it seems to me that Ghorbanifar was still a bit on a raw edge and that you were given the job of sorts of trying to calm him down; is that right? Was one of your functions to kind of smooth down Mr. Ghorbanifar's feathers at that point?

A Yes, sir.

Q And I take it one of his grievances by March 28 is he is right upset that Hakim has approached [redacted] and suggested that [redacted] do business without going through Hakim; is that right? I'm sorry, without going through Ghorbanifar.

A Mr. Nir told Mr. North that Ghorbanifar was outraged and was a problem, and I recall it was on a Friday evening, I believe. I had just delivered my Hostage Location Task Force report to the White House and I was paged twice going over the Woodrow Wilson Bridge by Colonel North. I don't know how he did it twice in the span of a bridge, but he did.

I had, I guess, my mobile telephone with me,

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and I called Colonel North, and he said as soon as I arrived home call Ghorbanifar and try to give him some assurances and invite him to the United States immediately.

Q Can you tell me how it came to pass that Hakim made this run at [redacted] Was this something that was discussed?

A It was discussed, but the decision was not made when I was around. Mr. Cave probably could convey more direct information on that. I prefer not to.

Q Do you recall playing a role in the decision to have Hakim make this --

A No, sir. I did not play any role in that. I did talk to Mr. Cave that I felt it was a mistake to try to bypass Mr. Ghorbanifar, that Mr. Ghorbanifar knew too much and could make us pay dearly at that stage if we went directly into [redacted], and I think Mr. Cave, after reflection, agreed with me.

Q Gotcha.

(A brief recess was taken.)

BY MR. KERR: (Resuming)

Q In any event, the way that the ruffled feathers of Ghorbanifar were handled was that Colonel North suggested to you that you contact Ghorbanifar and suggest that he come in on the double-quick for a meeting

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in Washington, D. C.; is that right?

A Yes. That was what occurred.

Q And, as I understand the traffic here, you even agreed to pick up Mr. Ghorbanifar at the airport.

A Which I did, along with Mr. Cave.

Q [redacted] the meeting, which would have been April 3-4?

A Yes. He arrived on April 3 and stayed until the 4th and then left for California to visit his girlfriend. [redacted] I paid the bill, or [redacted], I believe, actually paid the bill and gave it to me. [redacted] Needless to say, Colonel North was not happy. [redacted]

Q With regard to what occurred on April 3-4, can you give me a summary of the meetings that you attended

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and the discussions that were had?

A The only meeting I attended was we picked him up at the airport when he arrived on the Concorde and took him to his room where I had made reservations, at the Ramada Renaissance Hotel near Dulles Airport, and we had lunch. And then in the evening Colonel North, I believe, [redacted] and Mr. Cave met with him. I believe there was another meeting involving maybe [redacted] Mr. Cave, and Mr. Ghorbanifar in the afternoon on the 4th just before Mr. Ghorbanifar left.

Mr. Ghorbanifar called and told me he was leaving early and that was when I alerted [redacted] and Colonel North and Mr. Cave to this, and Mr. Cave and [redacted] I believe, went immediately to see him for a few moments before he left for California. [redacted]

Q It's apparently at about this time, April 4, that Colonel North prepares the draft memorandum which attracted the attention in the Tower Commission report which does reference diverting money to the contras. Did you have any information at all in early April that such an operation was at work on the Iranian initiative?

A None whatsoever, sir. I knew nothing about that, knew nothing about the memorandum that was being

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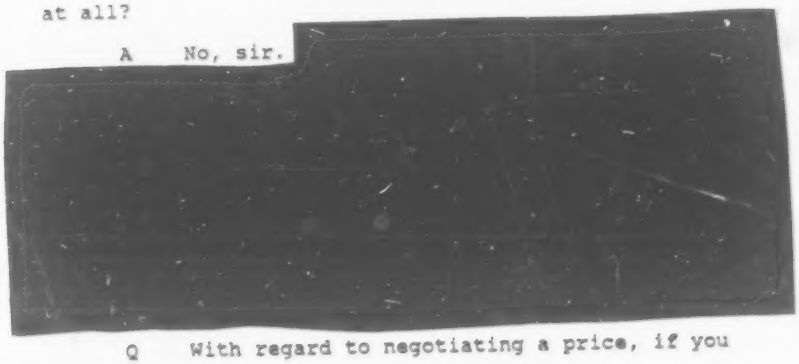
prepared by Colonel North.

Q With regard to the HAWK missile parts, the list for which had come into the possession of the Agency in early March, did you have any involvement in the efforts to obtain prices for the parts, any role in that at all?

A No, sir.



Q With regard to negotiating a price, if you will, that the Iranians were to pay for these goods, did you have any understanding of how that process was working and who was working it?

A It was my understanding in discussions with Mr. Cave and with Colonel North that Mr. Ghorbanifar was, as had been understood, was trying to find financing in order to finance the cost of HAWK missiles, and I think a certain number of TOW missiles, which would sort of come together with a perhaps a concurrent visit by senior officials like Mr. McFarlane to Tehran.

So I was aware that Mr. Ghorbanifar was having

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trouble or allegedly was having trouble raising funds,

[redacted]

Q Let me focus on that, though. In terms of what the CIA needed to know, it needed to know that it had enough money to cover whatever it was paying DOD?

A That's correct.

Q But taking it the next step, what it was Ghorbanifar was going to pay for these parts, what understanding did you have as of April as to who was responsible for giving a price to Ghorbanifar for him to pay?

A It was my understanding as far as the price that would be given to Ghorbanifar this would be something that the NSC, working with U.S. intermediaries like Major General Secord, would provide a price to Mr. Ghorbanifar.

Q In terms of individuals, though, did you have a perception of whose role that would be -- Ollie North as opposed to someone else? Do you get my drift? Somebody had to actually talk --

A Who came to the final price which we would submit to the Iranian intermediary, who was arranging the financing? It was my impression -- and I don't think I ever discussed it in detail -- but the NSC would present

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a price to the Iranian intermediary and say you will have to finance this amount of money.

Q When you use the term "NSC", who are you referring to?

A Well, Colonel North was the focal point for this activity.

Q Was it your assumption that Colonel North would be the one to reach that price agreement with Ghorbanifar?

A I don't think I ever thought it through very specifically, but it was my feeling that because Major General Secord was involved that there would be a price that he would want out of this for transporting the arms and that perhaps by then I believe I understood that a man named Hakim was also involved with Major General Secord, that there would be -- there would come to a price which they would agree with Ghorbanifar which would cover all the costs.

Q Were you conscious of the fact that the CIA personnel apparently were being excluded from that negotiation?

A Yes, sir. All we knew was we would submit a bill and say you have to have X number of dollars in a CIA account before we do anything, and all we did, as I've explained earlier and as you know, was handle the

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bill. We were excluded from the overall pricing process.

Q Did you have an understanding as to why you were excluded from the overall pricing process?

A Well, again we felt we were a support activity and an intelligence collection support mechanism and that this was an NSC-Presidentially-approved initiative. It was apparent that we were not to be included in those types of final decisionmaking on the pricing.

Q Did there ever come a point in time when that was actually explained or North took that position?

A No, sir, not to my recollection.

Q Not to you anyway?

A Not to me.

Q The Tower Commission report indicates that Ghorbanifar was arrested on April 22 as a result of aspects of an American criminal investigation. Did you have knowledge of Ghorbanifar being arrested in late April?

A [redacted] he had been arrested by the Swiss police because of work that was -- because of activities with Cyrus Hashemi.

[redacted]

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[redacted] So Mr. Cave and I discussed it.

Q Now when the Cyrus Hashemi point came up in connection with the arrest of Ghorbanifar, did anyone that you were talking with recall the role of Cyrus Hashemi back in June and July of 1985 in bringing forward the [redacted] Ghorbanifar initiative at that point in time?

A No.

Q You yourself had no awareness?

A You're talking about --

Q Let me take you back. June 17 Casey gets a call from John Shaheen mentioning Cyrus Hashemi. Cyrus wants a nolle pros, all that good stuff.

A Yes, I recall. No, no one raised that subject, to the best of my recollection, certainly not with me. I certainly remember talking to Casey about the arrest of Ghorbanifar and also I discussed it with Colonel North, that he had been held for 24 hours but then released by the Swiss police.

Q Did you ever have occasion to discuss that with Ghorbanifar -- the arrest?

A No.

[redacted]

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[redacted]

Q Did there ever come a time when he actually admitted to you he had been arrested?

A I don't recall. I don't think he mentioned it. I know that Mr. Nir became aware of his arrest because Mr. Nir mentioned it to me, that Ghorbanifar had discussed his arrest and Ghorbanifar had protested his innocence to Mr. Nir.

Q With regard to that arrest, did that give rise to concerns about the security of this operation at that time?

A No, not to my knowledge. This was a separate activity. It was viewed as Mr. Ghorbanifar perhaps being involved in another financial deal. [redacted] It appeared that he had other deals under way with a variety of elements. So the fact that he might have been involved in some form of arms transaction with Cyrus Hashemi certainly was not beyond question and we were not surprised.

Q Was any effort made at that time to contact other law enforcement services of the United States to determine if they in fact had intentions of proceeding against Ghorbanifar?

A I think, as I recall, that Colonel North

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obtained a list of all those individuals who had been arrested in that sting operation, and I don't believe Mr. Ghorbanifar's name appeared on it.

Q May 6, 1986, Colonel North and Mr. Cave met with Mr. Ghorbanifar in London. Did you have any role in preparing Cave and North for that trip?

A No. I saw it as a preparatory trip perhaps to work out final arrangements relating to a senior level visit [redacted] and occasionally during these meetings with Mr. Ghorbanifar and [redacted] or when the second channel was opened Mr. Cave would call me to provide me with what one would call tip-off [redacted]

Q North apparently came back to the States about May 8. Did you participate in any debriefing of Colonel North on the London meeting?

A I don't recall what I did. I'm certain I talked to him on the secure telephone each time he returned. There were always occasions to discuss a variety of matters, so I'm sure that at some point he may have discussed it with me.

Q Do you recall that this meeting of the 6th, 7th, 8th of May, that period of time, had to do with assuring that there would be financing for this

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transaction?

A That was my understanding, that that was a meeting to ensure, to see what the final arrangements were relating to the financing for the movement of HAWKs and perhaps TOW missiles.

Q What aspect of financing was, to the best of your knowledge, discussed at that meeting -- in other words, whose financing it was here?

A I don't know. And if there's a memorandum that details that, I don't know of that either.

Q Unfortunately, neither do I. Did it come to your attention in this first two weeks of May how much Ghorbanifar and his confederates were going to be putting up?

A I don't think I knew the amount that they were having to finance.

[redacted]

Q But let me set that aside for a moment. In terms of what he and whoever his investors were, we now know Khashoggi, but in any event did you know during that period of time how much they were going to be paying?

A No.

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Q You did not?

A To the best of my knowledge I didn't know at all.

Q It appears that Khashoggi made his contribution and that a $15 million deposit was placed in a Lake Resources account about May 14, 1986. You had no contemporaneous knowledge of the amount Khashoggi was paying into Secord's account; is that correct?

A No, sir, I did not.

Q You did know, I assume, that two days later, May 16, $6.5 million was put by Secord into CIA's account?

A I thought it was on the 15th of May. Yes, I did know that the money had moved into the CIA account.

Q But in terms of a difference between what had gone into Secord's account and what had come out to the CIA, you were not conscious of that at the time?

A I had no understanding of that figure, that total figure.

Q With regard to the May trip, if you could give me an overview description of the role you played in preparation for [redacted] the trip.

A Well, this became an extremely high priority after the meeting occurred, I guess, in London, [redacted]

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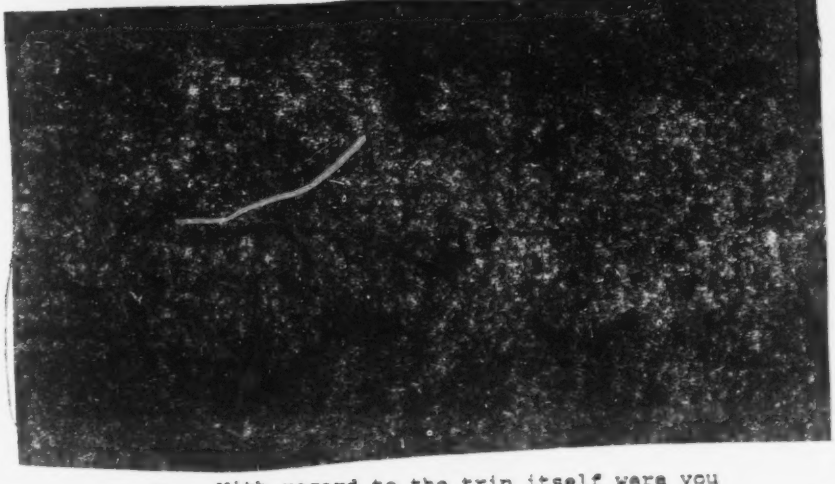
[redacted]

I think Admiral Poindexter wanted [redacted] He was not confident of the total safety of this effort, [redacted]



Q With regard to the trip itself were you monitoring events in Tehran as they occurred?

A [redacted] and there was a little command post set up in the Near East division and staffed around the clock by a variety of officers. Also, Colonel Earl and, I believe, from time to time Commander Coy at the White House managed a small command post in the NSC in Room 302.

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I maintained my own command post, with occasional help from [redacted] I didn't sleep much for those days.

Q During the course of the trip did it come to your attention that the $24.5 million figure as the price of the goods had come up and been brought to Cave and North's attention?

A I recall upon the return preparation of a memorandum by Mr. Cave, and I don't have the memorandum in front of me, but there was a memorandum where I believe Mr. Cave talked about pricing and the fact that there were concerns for pricing.

Q You would have had a debriefing session of some sort, I assume, with Mr. Cave when he returned?

A Mr. Cave, as soon as he returned, he and I went to see Mr. Casey, I think. I think Mr. Cave saw Mr. Casey almost straight away and I sat in the meeting.

Q During the course of that meeting with Mr. Casey was this pricing aspect discussed with Mr. Casey?

A I don't remember. I'm sorry, I just can't recall. Generally it was a conversation where we were disappointed there was no resolution, and I believe Mr. Cave also talked to Mr. Casey about the fact that [redacted] came to the airplane and asked to stay in touch directly with Mr. Cave, that he wanted to see this

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initiative continue.

Q Let me focus again, though, on the pricing piece of it. Mr. Cave has related to us a concern that the $24.5 million figure was put out by Ghorbanifar. They were told -- that is, Cave was told that if the Iranian officials asked about the $24.5 million figure he was to say it was okay, and he has told us that he was concerned about that price, that Colonel North was concerned about that price.

There was a discussion with Nir, which wasn't terribly enlightening, about why that price was arrived at. With that as kind of a lead-in, can you tell me what you knew about that pricing situation within the days that followed the trip to Tehran?

A Not a great deal in addition to that. Mr. Cave did discuss with me the pricing, the fact that a couple of million may have been added to the price to cover a $1.7 million debt that Mr. Nir owed for some obscure reason that I still do not know the reason for, that it was $24 million, that this seemed to be relatively high considering the quantities of the weapons and spare parts.

I didn't focus in any great depth on it. It appeared that this was a problem at that time, although I certainly began to focus on the pricing around 20 June

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and then throughout July [redacted] But at that stage, not knowing what price the NSC had provided to the Iranian intermediary, it was very difficult for us to discern -- Mr. Cave and I -- what the differential was between this $24.5 million and what was actually being charged Mr. Ghorbanifar and his financiers.

In any event, it was a hefty price, and I recall being extremely annoyed that it looked like Mr. Ghorbanifar was charging a very exorbitant price.

Q Do you recall taking that up with North and asking Colonel North what was going on here with the price?

A Not at that stage. I certainly took it up later on [redacted] and the more I started looking at that, the more confused I became.

Q Did you ever, up through the end of the trip, have a conversation with [redacted] in which [redacted] described to you what was happening at the cost side, if you will -- his activities -- to make sure the costs were kept down?

A [redacted] during the visit -- I guess I don't understand your question.

Q Let me take you back to the TOWs, back in the beginning of '86. Did you ever have a conversation with

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[redacted] in which he outlined for you how the decision had been made to go get obsolete TOW missiles so that the price per missile would be substantially reduced from what that price would otherwise have been for an on-the-shelf, non-obsolete missile?

A I knew we were giving the older version of the TOW missile and that we were doing this deliberately. It was explained by Colonel North, who said we didn't want to give them the highest quality TOW missile.

Q Do you ever recall a discussion with [redacted] where it became apparent to you that the reason for the type of missiles that were being sought here was not because you didn't want to give inferior goods but because of the price?

A I don't recall a conversation with [redacted] on that.

Q [redacted] at all?

A I'm not saying it couldn't have happened, but I don't recall it.

Q You did not know of the conversations that were had with General Russo, for example?

A No, sir. I didn't get involved. That was what I considered very much a [redacted] logistical work. At that stage I didn't get involved. I was a little more aware in the fall of '86 on individual pricing.

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Q Let me move you to the HAWK parts, then. With regard to the 240 or whatever they were HAWK parts, did you become aware of a budget that the folks in Operations had -- [redacted] -- that they were trying to meet -- i.e., that they could not exceed -- for the price of these HAWK parts that they would pay DOD?

A I think they were given some sort of quota, but I didn't have the details on that.

Q Who gave it to them?

A I don't recall. I assume it was the NSC and Colonel North.

Q Do you have any recollection of a meeting or an occasion where that actually occurred, where it was said you can't go past $4.7 million, [redacted] Get me some more budget parts. Nothing like that?

A I don't recall that, and I'm sure I didn't participate in such a discussion.

Q Would you have been conscious of an intention, an effort on the part of North, carried out by [redacted] and company, to maintain a spread, to keep the price down, to make sure that there was a fund to slush in this transaction?

A No, sir. I'm not aware of that whatsoever. All I know is that it was clear that Colonel North wanted older missiles, the oldest in the inventory possible.

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But the pricing, I didn't focus on that. I didn't have time.

Q In terms of a conscious perception, though, you were not aware -- I think you've answered the question, but you were not aware of an effort to try to make sure there was a money gap between what was being paid and what had to be paid to DOD to try to create that kind of fund?

A No, sir. I was not aware of that.

(A brief recess was taken.)

BY MR. KERR: (Resuming)

Q Let me come back to the theme of ransom and hostages. Apparently at a meeting between the Director and Admiral Poindexter on June 5 that topic came up and the figure $10 million as a ransom figure for the American hostages was raised and discussed.

Were you aware in early June of such discussions within the Administration?

A That's a familiar statement, but I cannot pinpoint it unless I have something to have specific reference.

Q I'll show you a memorandum for the record by Mr. Gates dated 8 June 1986. Paragraph 4 is the paragraph of interest. That's Exhibit 42.

(The document referred to was

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marked Allen Exhibit Number 42 for identification.)

(Pause.)

A I don't know. Somehow that $10 million figure rings a bell. It's something the Director said to me about that time frame, but for the life of me I can't remember where that $10 million figure came from. I remember discussing with the Director the intelligence problem [redacted]

Q The note makes reference to a policy question on whether or not the Administration, given articulated policy, was prepared to pay ransom. Did that question get resolved and brought to your attention on whether or not the Administration was in fact prepared to arrange for ransom to be paid?

A It's my understanding, based on all the meetings I attended as part of the interdepartmental group on terrorism, which I still remain a member of, and the Operations Subgroup of the Terrorist Incident Working Group, that this Administration could not tolerate this kind of concept and in fact coming out of the Vice

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President's Report on Combatting Terrorism one of the issues of continuing interest was to have the Department of Justice review ransom insurance that even private corporations carry for high risk areas in order to ransom potential employees who become hostages.

So I think it was a fairly clear policy.

Q What I'm driving at is the $10 million figure, however it came up or whatever the circumstances, was it your impression that that was being thought through as an option, a potential change in policy?

A No, I don't think so. I think that the Director, as I remember, there must have been something, a private resource or another country was prepared to do something along these lines. And if it comes back to me I certainly will convey this. But it's certainly a familiar figure for some reason.

Q All right. Thank you.

Let's move to the pricing problems in June. You've testified that you became aware that the pricing problem had indeed become a problem of some moment by June, particularly as it moves into late June. Can you tell me what you knew and when you knew it and what the problem was?

A [redacted]

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[redacted] stated he had a microfiche dated 1985 which gave the base price of all these items, and he is being charged five and six times the amount that was reasonable for the cost of these.

I think he said he himself was not so concerned but that clearly other officials involved in this transaction in Tehran were, and he would not agree to pay the funds. It was clear, I know, that Colonel North gave instructions to Mr. Nir to tell Mr. Ghorbanifar that the reason for the costs were that these were one-time items manufactured years ago and very costly to remanufacture, and we had to get some of them out of current stocks.

We had to go overseas to retrieve some from countries which had HAWK missile systems. [redacted] And I raised, I know, on one or more occasions about this impasse over funding, that it was creating a very, very difficult situation and was endangering resolution of the hostage situation.

And Colonel North insisted that we had to pursue this very hard and he wanted anyone talking with [redacted] such as Mr. Cave, I believe, to be very resolute that this was a legitimate price. And he

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constantly --

Q Let me stop you. How on earth can you be resolute that something is a legitimate price when you don't know what the price is? I mean, apparently nobody and no one asked [redacted] what did you pay for these goods? Why not?

A Apparently no one asked.

Q Ask [redacted] what are you paying for these goods? Did you all ask him how much he paid for these goods?

A [redacted] was the one that was refusing to pay the amounts.

Q Maybe I haven't articulated correctly.

A On July 21 he finally sent $4 million to pay for the HAWK spare missiles that had been taken off the aircraft in May.

Q Let me try to articulate it a different way. In June, when he's saying I have a microfiche and the goods cost --

A I'm not sure when he first mentioned the microfiche. It may be in July.

Q I can show you a tape June 30 where he talks about the microfiche six times. In any event, June 30 we've got him describing the fact that he has the price list. What is missing from the conversation is George

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Cave asking [redacted] all right, what it is you were going to be charged for these goods.

I'm just curious about that. The guy's complaining about a price. Why wasn't he asked what it was he was being charged?

A You'll have to ask Mr. Cave because he was handling this telephone call at the direction, detailed direction, of Colonel North. I recall that he made this conversation, that he made this call to [redacted] Why didn't he ask [redacted] what he was really being charged?

Q What price was being quoted?

A I don't know. I cannot answer that.

Q Let me put a context here, Mr. Allen, because I find it inexplicable. You've got a situation here where you've got the buyer, [redacted] saying he's being beaten to the tune of four to six times the going rate. You all know what it was you were going to charge for these parts. You know the parts are about $4.7 million. In order to assess whether or not there has been something that went awry, one clear bit of information that you need to know is what is it that [redacted] is being charged for these.

A I thought the cost to the Agency was $6.7 million.

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Q It depends on what you are adding in. If you add in the TOW missiles, you bring it up.

But, in any event, it certainly isn't $24.5 million.

A Mr. Cave and I discussed that and I thought about it quite deeply during the July time frame.

Q My point, very simply, is that you all knew what it was that DOD was going to charge you for the whole wad of goods. You knew exactly what that price was. What I don't understand is why you -- and you're talking to Ghorbanifar during this period of time, Cave when he's talking to [redacted] -- why don't you ask what it was that Ghorbanifar was charging so at least you could know what the ball park is?

A I think I talked to Ghorbanifar perhaps once about the pricing. You recall I have some handwritten notes where he said I'm only charging a 60 percent premium and this is insane.

Q Hang on. What I'm trying to drive at is you had other conversations with Ghorbanifar during this period of time. Ghorbanifar loves to talk to you, Mr. Allen, and that is clear.

A I don't recall how many times he talked to me.

Q You could have asked him on the occasions there.

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A I could have asked him.

Q Okay. Why not? Why not unravel this thing by simply asking him, Merchant, what is the price tag you are putting on the goods? You know, why not tell him that?

A That's a good question. I don't think that I ever put it quite that way, but reading what Mr. Cave derived from this conversation with [redacted] I knew something was amiss, and particularly when Colonel North wanted perhaps to create a new price list.

Q Exactly. That's where really I lose this thing.

A And that bothered me very deeply, sir, because that was about the August time frame when this was occurring, and that's when I talked to Mr. Kerr in late August, according to my recollection -- Mr. Kerr cannot give a precise time frame on it -- where I said maybe something is occurring that's really amiss.

Q Let's stop there for a moment because it seems to me that's an inference one almost has to draw. It has been described to me by a number of people, from [redacted] to a number of others, and the only conclusion I can come to is that North gave an instruction not to unravel the pricing problem but to come up with some justification

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for a price that wasn't accurate.

A For rationale, and I did not give any rationale when Mr. Ghorbanifar made this impassioned call in August. I simply listened and said I would convey the information to Colonel North, which I did.

Q What did North say to you when you passed that on?

A Well, I don't recall the specifics, but he insisted again that we had to maintain the integrity of our stories relating to the price, that we don't know what Ghorbanifar was charging; therefore, you know, let's just ensure -- let us ensure that we all make it clear to Mr. Ghorbanifar and, in the case of Mr. Cave, to [redacted] that it was very difficult to obtain these parts and the costs were very high.

So I never knew at that stage what price the NSC had put on it with the intermediaries. I didn't focus on the issue greatly, but by the end of August, believe me, I had started to privately focus on the issue deeply.

Q And as you are focusing on it, take me through the thought process. What is it about that second price list that causes one to be a bit queasy in the stomach about what's going on here?

A I'm sorry. You're going to have to explain

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the second price list.

Q By August a suggestion has come by Ollie North that there ought to be a new price list prepared that would inflate the numbers.

A Yes. That bothered me. I know we manufactured a little card which I saw, a pink card.

Q Now in your own words tell me why is that troublesome?

A Well, it seemed to me that the problem was, at that stage I had come to the conclusion that -- and I'm talking late August -- that the NSC was charging an exorbitant price for these weapons and spare parts. Clearly I knew that Ghorbanifar was also charging heavy prices and had heard about Mr. Nir's covering $1.7 million.

But I thought there must have been a very heavy price charged by the NSC to the financiers and the only thing that I could conclude, because at this stage I had become aware that Mr. Hakim and Mr. Secord were trying to open a second channel to Iran, Mr. Hakim and Mr. Secord were directly in the middle of moving equipment and military weapons to Central America, logically I began to think that perhaps the additional charges were being made of the Iranian middle man and financiers to cover costs of supporting the contras in

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Central America.

Q Did you take that to Ollie North? Did you ask him to deal with it at that level?

A No, not without specifics. I said to Colonel North that this impasse was really bad and it was creating real problems. On September 9 I pointedly said you've opened up a second channel. You've shut down the first channel. And you've got creditors out there yelling for $10 million, $11 million. What are we going to do about it?

And he said something, well, maybe we'll have to take it out of the reserve. That was a devastating statement to me.

Q I was going to say, did he advise you what reserve he had in mind?

A No, sir.

Q At this conversation on the 9th of September, was anyone else present?

A I can't recall. Colonel Earl was in the room or nearby, but I don't know that he heard that remark.

Q What was the occasion? Why were you meeting with North?

A I was at the White House on another matter, seeing someone else. I just stopped by and Colonel Earl was in Colonel North's office, and I said where is

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Colonel North. He said he is meeting with Poindexter. Poindexter and Colonel North are discussing the Iranian initiative.

So I just waited and Colonel North came charging in and said to me, tell Casey [redacted] Tell Casey that the first channel is shut down, that the second channel is now open, and get to him right away. That's when the conversation occurred.

I put that in a memorandum to Mr. Casey, which you have. I also called him as soon as I returned to the Agency [redacted]

Q And on the point of the reserve, did you raise that point orally with Casey or anyone else?

A Not at that stage.

Q Not at that stage? Why not?

A Well, I had already -- I believe I was worrying over this situation. I had mentioned this issue, I think in the late August or early September time frame, with Mr. Kerr. Mr. Kerr has difficulty putting a precise time frame on that, and I respect him for that.

I have difficulty putting all this into precise time frames. I know talking to Mr. Kerr, saying that the fallout could be very devastating and Mr. Kerr

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agreed. I became involved. I had many other activities. I hate to keep repeating it, but I really did.

And I became involved shortly after that [redacted]

Q I'll go through these things in a moment, but --

A So I guess the worry continued [redacted] I went to Mr. Gates on 1 October.

Q Now let me just touch on a couple other points. The July 29, 1986, briefing of Vice President Bush by Nir, did you have any involvement in the decision that such a briefing should take place, any knowledge that such a briefing was taking place?

A I had no knowledge that a briefing was being planned. Let me back up on that because that's not a very good answer. I knew that the Vice President was going to Israel and I knew at some point prior to the

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visit or while he was traveling to Israel that Colonel North wanted to have Mr. Nir meet with the Vice president to discuss the Iranian initiative.

I knew that a briefing had occurred because I believe it was on a Saturday morning. Mr. Nir had tried to contact Colonel North and couldn't, so he called me and said that he had talked to Mose's deputy and that it had gone well and that he had given him a good briefing on the principal matter and could I convey all this to Colonel North because he couldn't locate Colonel North that morning, which I think I did.

That was in July 1986, I believe.

Q To the best of your knowledge was this briefing the first or primary occasion that Vice President Bush became aware of this initiative, or had he been brought into these things along the way? Do you know?

A Well, it's my understanding that the Vice President was aware of the initiative and the Presidential Finding.

Q What is that based on? Is that just the way things are done, or did somebody tell you that?

A I think Mr. McMahon may have mentioned that at some point back in 1985. [redacted] I have no knowledge

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that Mr. Ghorbanifar ever had any contact with the Vice President. It was a convenient way to build credibility of Mr. Ghorbanifar -- I think a very unwise way, very candidly.

Q Did you ever see a report on the Bush briefing prepared by Bush's staff?

A Mr. -- Craig Fuller -- no. The only thing I saw was what was published in the Washington Post.

Q So there was not anything generated that you saw within the Agency?

A No, sir. I talked to [redacted] at some point in the fall of '86. I guess it was in the fall of 1986. He was unaware that Mr. Nir had met with the Vice President and he has no idea when it occurred [redacted] He has no knowledge to this day.

Q There came a time in July when you apparently were in almost daily contact with Mr. Nir because Colonel North had decided he wasn't going to talk to Nir any more. Can you tell me a little bit about that, what happened and why?

A Well, I was giving a briefing or sitting on a panel, rather, with Mr. Revell and others on counterterrorism at the Office of Personnel Management in

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early July and I was paged by Colonel North, who stated that he wanted the community alerted that does hostage debriefing and he wanted intelligence collection increased on Lebanon, that he had been assured by Adam, which of course was a code name for Mr. Nir, that a hostage would be released within 24 to 48 hours.

I recall that [redacted] went [redacted] and waited for the release of an American hostage. It did not occur. I was told by Colonel North -- and I have reason to believe that that indeed was the case -- that Admiral Poindexter was quite vexed over this and Colonel North stated that he didn't want to talk to Nir, that Nir had not checked out the story well and that he had lost a good deal of his derriere from Admiral Poindexter on the issue.

Clearly Colonel North's ploy was to cut off contact for a period of time. All I did was to be a conduit. When Nir called I would convey to Colonel North what Nir stated. Colonel North gave no directions in reverse. I was simply a listening post for Mr. Nir as he struggled to resolve the issue and he made trips to Western Europe. It was clear he was involving the Prime Minister, the Defense Minister. It appeared that Mr. Nir and, I assume, some of his superiors were quite disturbed and almost frantic over the fact that they had lost this

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fine link to the White House.

[redacted] As soon as that hostage was released I certainly stopped contact and Colonel North continued the contact.

Q And the hostage in question was Father Jenko; is that correct?

A Father Jenko.

Q And then you wrote a memorandum or, excuse me, Director Casey wrote a memorandum in which he indicated that even though only one hostage had been released it was his view and yours and Mr. Clarridge's that the initiative should continue. Let me show you the memo and we'll pick up on that. It will be Exhibit 43.

(The document referred to was marked Allen Exhibit Number 43 for identification.)

Let us make the transcript Exhibit 43 and the July 28 memo be Exhibit 44.

(The document referred to was marked Allen Exhibit Number 44 for identification.)

A I'm familiar with this memorandum. I did the

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basic draft. I think Mr. Casey made a few amendments to it and he signed it and sent it to Admiral Poindexter. Colonel North asked my assessment of the Jenko release and he also asked that I clear with Mr. Clarridge what I wrote. It appeared that Admiral Poindexter had the view that the Syrians had somehow secured the release of Father Jenko, [redacted] who changed his mind promptly and said indeed this is a correct assessment.

As I understand it, Vice Admiral Poindexter also agreed that it was fairly compelling evidence that the Ghorbanifar [redacted] channel worked in this instance, with a great deal of push from the Israelis.

Q In conjunction with that let me show you a memorandum to the President which although it bears a June 27, 1986 date I believe was actually July 27, 1986, which will be Exhibit 45.

(The document referred to was marked Allen Exhibit Number 45 for identification.)

Could you look at Exhibit 45 and tell me what role, if any, you had in the preparation of those materials?

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A You say you think the date was what, sir?

Q It is July 27. If you place it in the context of the others, it appears to be a July document.

A I had no part in the memorandum except for the fact that I was author of the attachment relating to, and which I believe was part of Exhibit 44.

Q In terms of what's going on at this period of time, I gather that there's a decisionmaking process on whether or not the initiative should continue, given the fact that one hostage but not all the hostages has been released. Is that what was going on at that point in time?

A I'm sorry. I didn't hear your question.

Q I'll try again. The decision process that these documents reflect, what was the decision that had to be made? What was the President being asked to consider at this point?

A It was my understanding that he was being asked to continue the initiative, to approve additional explorations with this specific channel. This was in June.

Q It's really not. It's July.

A July, sorry. But this was before the 15 August meeting in Brussels where Colonel North saw an opportunity to develop what he considered a more reliable

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second channel. So at this stage, as I understand it, the President was being asked to approve continuance of this effort to free the other hostages. And, as you can see, there was considerable discussion about how to open broader relations with the government of Iran.

Q Now what that suggests to me is that by the end of July, beginning of August a decision had been made to continue with the Ghorbanifar channel and, as we know, in mid-August the new second channel comes on the horizon. Were you aware that the second channel was being courted before the courtship began, or did that come as something of a surprise to you?

A I was aware that Mr. Cave had gone to New York to meet with Mr. Hakim and a contact of Mr. Hakim, an Iranian, [redacted] I was aware of that and I was aware, I believe, in some conversations that [redacted] and Mr. Cave had where [redacted] was trying to elicit from Mr. Cave something about a meeting that occurred in Brussels.

I was not aware that it was going to flourish into full bloom until that 9 September meeting, at which I was taken aback. I remember returning to the Agency very nonplussed at that stage because I couldn't figure out why we would so abruptly shut down the first channel unless we had a very good plan for shutting it down in a

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way that Ghorbanifar and other creditors of Ghorbanifar would feel assuaged, that if they got their money back, if they didn't feel they had lost that then we wouldn't have an operational security problem.

The second channel at that stage I didn't know anything about. I didn't know who these people were or their reliability. And, of course, I and [redacted] and others were trying to find out who this individual was who suddenly appeared on the screen. [redacted]

When I went to see Mr. Gates on 1 October part of our conversation was my worry over the second channel, that we had so abruptly moved to a second channel without clearly understanding the bona fides of an individual on whom we had no information.

That really disturbed me more than I think anything disturbed me throughout this whole process.

Q Did you articulate those concerns to North?

A Only in the sense of what I told you earlier, that I expressed surprise and I said what are you going to do about this first channel, because the creditors and Mr. Ghorbanifar are unsatisfied. I also remember discussing this whole thing with Mr. Cave. I said I think Mr. Ghorbanifar is a man, is an individual who is going to extract revenge at some point.

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Q And you would have said that at what point in time?

A I think in the September time frame.

Q Let me get you to identify a document, if I can. Let me show you a document that I believe was generated in August of '86. It will be Exhibit 46. I ask if you can identify it.

(The document referred to was marked Allen Exhibit Number 46 for identification.)

(Pause.)

A That is my handwriting. This is the frantic call from Mr. Ghorbanifar in August of 1986, his impassioned call where he said, look on your list. You know, I am not charging 600 percent. My charge is, I think he said, I guess he used the figure 41 percent markup that he was charging. He said the middle man is being unfairly blamed. He indicated that he wanted this message conveyed in clear and distinct terms to the side of the U.S. Government.

Why he called me at that time, I don't know. I don't think I talked to him in recent weeks, in fact, because he had been interacting with Mr. Nir. Mr. Nir had been interacting innumerable times with Colonel North.

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Q In terms of what he's trying to tell you, he's talking about what his margin is, but I didn't spot it. Maybe it is in there. I didn't see it. Did he tell you what he had paid or was told he was supposed to pay for these goods -- that is to say, what he was marking up 41 percent?

A He said his average overall markup on the cost charged him for making all the arrangements and ensuring the final delivery was 41 percent.

Q But I'm asking, though, do you remember him telling you my mark is X, the amount of money I paid is whatever it is and I'm adding 41 percent to that? Did he ever tell you what his figure was, what he was being charged?

A I think he did over here -- these notes are cryptic -- where he says $15 million and I'm charging, the financiers are charging me 20 percent interest and it's Adnan Khashoggi who is the supporter.

Q That is at page what?

A 212, sir.

Q Good. So at that point in August you have been given what Ghorbanifar says he's being charged by our end of the transaction; isn't that right? That's the $15 million?

A Sometime in the August time frame. Mr. Cave

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was in the office when that call came in.

Q So at that point you got the $15 million figure. You or Mr. Cave also knew what the DOD figure was; isn't that right? You knew what the CIA was paying for these goods?

A $6.7 million, I guess, if you threw in the TOW missiles. So we're talking about a considerable markup.

Q Now at that point is that when the bells go off that there's something awry here?

A Pretty much so.

Q Do you talk to Cave about how you are going to go about figuring out what's going on?

A I discussed it with Cave, I believe, about that time frame, after this call. I also conveyed, I think, a fairly literal description of what Ghorbanifar had told me to Colonel North on the secure telephone, and I can't recall exactly what his response was, but it was a response that was not responsive. I think he continued to adhere to the other line that, you know, you can't trust this fellow and what he is telling you.

Q I understand. I understand.

A So I conveyed the information.

Q And you conveyed it to?

A Colonel North.

Q And you did it what -- orally, by phone, by

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letter?

A By secure telephone, sir.

Q And what did North tell you? What did he tell you about the $15 million?

A I don't know that I recall, except he said, you know, as I said, it's important to adhere to this continuing story that this is a legitimate price and what Mr. Ghorbanifar has charged is Mr. Ghorbanifar's problem. He's got to collect that money from the Iranian government, something along those lines. I can't recall specifically.

Q Let me step into where your thought processes are at that point. If it were me and I was sitting there, knowing that I had been involved in the sale of $6.7 million of U.S. Army goods that someone had then marked up by twice and made a profit of $15 million for me, I would have gotten concerned about that.

A I was concerned, and I conveyed that along that time frame to Mr. Kerr and, as the situation did not resolve itself, I went to Mr. Gates -- maybe not as promptly as you would, but I did do it. And I feel good about doing it.

Q Did it cross your mind that even if it wasn't going to Nicaragua it was going into Dick Secord's pocket?

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A Yes, sir. That was one of my thoughts, is that maybe these private Americans involved in this activity were taking considerable profits, and I didn't know how to go about proving that. I remember that at one point I expressed some concern about the reliability of Mr. Hakim. Colonel North reacted in a very volatile way, saying that this man was a good American and I had no right to criticize him. And that was in September.

He said that Hakim -- I think I said, I think Hakim's about one cut above Ghorbanifar and I got a very violent explosion from Colonel North on that. He said, you don't know Mr. Hakim and that's a very unfair accusation. I said that's true; I don't know Mr. Hakim.

Q Did you get the feeling that North was being disingenuous with you in a sinister way?

A No, but that he was not being totally candid as to what was happening.

Q Did you have a sense of why he was not being candid?

A No. Colonel North -- I don't consider him in any way a sinister individual, and I'd like the record to state that. I certainly did not think Colonel North was being candid with me.

Q These notes, if you were trying to give your best shot at when they occurred in time, when in August

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would these notes have been made?

A The second half of August.

Q The second half?

A And I believe Ghorbanifar was aware of that meeting in Brussels. If [redacted] was aware of it, Ghorbanifar was aware of it because there was this feeling on the part of Colonel North -- and I think at least initially on the part of Mr. Cave -- that Mr. Ghorbanifar could be cut out and that we could directly to [redacted]

And I think Mr. Cave quickly came to the judgment that you couldn't bypass Ghorbanifar because he and [redacted] had a very close relationship.

Q The last page of this collection of notes says "middle man being unfairly blamed." That I can figure out. "41 percent" -- that we've discussed. Then it says "don't want to silence", and then below that it says "nice", underlined twice. Do you have any recollection of what it was you were trying to communicate there?

A I don't know what "don't want to", and that is Nice.

Q Nice as in Nice, France.

A Mr. Ghorbanifar has a very nice home in Nice,

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and that's where he stays most of the time.

Q That explains that.

[redacted]

Q You did not, I take it, put this information in a typewritten format?

A No.

Q Why not? Was it simply the press of time or was there some security reason?

A Press of time. No security reasons. There was no reason in the world why I couldn't have written that up. I had the equivalent of three positions at that stage and frantically busy on Syria and Libya and Iranian terrorism -- just frantically busy.

Q One other phrase, just to pursue it. "Merchant says the problem is because of A." I assume that's Adnan Khashoggi, or do you know?

A Please let me look at it.

(Pause.)

I believe so -- that he was being pressed heavily by Adnan Khashoggi.

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Q Did he express to you what he would do in the face of that pressure? The clock is running. The bus is about to leave. Help me out. What did he say?

A That was clearly the import, that something had to be done, that the Americans should make some sort of gesture.

So he was expecting some immediate gesture to close this gaping wound, as I saw it, this gaping wound in this project.

And it was sort of he had been conveying this on a daily basis, I believe, to Mr. Nir. Mr. Nir had been calling Colonel North and finally Mr. Ghorbanifar, one day, one night -- it was nighttime because I got this call in the afternoon -- it was nighttime in France, called me and said Charlie, what can you do. I simply conveyed this on to Colonel North and discussed it with Mr. Cave.

And Mr. Cave and I agreed that the prices were

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extraordinarily high. And I believe at that stage I conveyed the view that it could be a move of sending money not just to feather the pockets of perhaps intermediaries but for some other project. The only project that came to mind at that stage was Central America.

Maybe we are very dull, Mr. Kerr, in coming to those judgments and for that I do apologize, but my days were running 14-16 hours a day on counterterrorism across the board and I could not focus but a few minutes here and a few minutes there on this specific initiative. I took one day of leave in the last two years, I think -- two days of leave, one day to be with my wife, who was injured.

Q I promised I would get you out of here, and I have not finished. I think ultimately I may need another hour with you. I'm going to try to let you out of here now, but there is one memorandum on this point that I did want to run by you.

A Yes, sir.

Q It's a memorandum dated September 2, 1986 and it has to do with -- well, let me have you read it. Unfortunately, we are missing a page. If you will just give me a minute, I will pull the other page out and we'll give you the whole memo.

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(Pause.)

If you will mark this page, I will have to make a copy of the rest of it.

(The document referred to was marked Allen Exhibit Number 47 for identification.)

The Exhibit is September 2, 1986, memorandum from Mr. Allen. It's a memorandum for the record. It's Senate number J-5957 through 5959, and it relates to a conversation that you apparently had with some FBI agents and Customs agents on a TOW diversion. I'd like you to take a moment and read the memo to refresh your recollection about the incident and I'll have a few questions about it.

(Pause.)

A I'm familiar with this memorandum. I'll await your specific questions on it.

Q The memorandum makes reference at paragraph 5 to the footprints of the merchant and the banker or his banker. The merchant in question, I assume, is Ghorbanifar, and the banker Khashoggi?

A Yes.

Q Now in terms of what is happening here, it appears to me that you have been asked by North to give a heads-up, at the very least, to the FBI and Customs

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Service on an illegal arms transaction.

A Yes, sir, just to tip them off. I had no information. This is the first time I ever had any real discussions with Mr. Hakim. I called Mr. Revell of the FBI and Bill Rosenblatt of Customs and stated what can you do about this. This is a White House request. I said I have no information. I believe there are tapes of at least two or three of these conversations between Mr. Hakim and myself which are fairly verbatim, and I think I fairly accurately -- I hope I fairly accurately recorded the substance of that in this memorandum.

Q Let me focus you on Mr. Goode. That is referring to Mr. North, I assume.

A That is Mr. North.

Q And you say at the request of Mr. North, Colonel North, on the 29th of August you contact Abe, and that would be Abe Hakim; is that correct?

A Mr. Albert Hakim.

Q What instruction did you get from North? Why was North asking you to do this?

A He stated that from the point of view of the U.S. initiative if this was a bona fide TOW missile diversion it would take away the leverage that the United States had through the channel then being pursued -- the channels I knew, the Ghorbanifar [redacted] - for possible

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release of other hostages because we're talking about a substantial amount of TOW missiles.

He wanted to know if we had any intelligence from any source on it. In checking with [redacted] no intelligence was available. I simply conveyed this to both the FBI and Customs.

Q Let me pursue it a bit. When you say that Hakim says the footprints of the merchant and banker are all over this transaction, he was basically telling you this deal looked like it was being done by Ghorbanifar and Khashoggi; correct?

A That's what he stated and I recorded it here. We couldn't find any information on this and Mr. Wall from Customs later told me they couldn't find any activity relating to this. I was never able to discern just what all this alleged TOW missile diversion was all about.

Q Were you aware as of 2 September that Colonel North intended to or wanted to shut down the first channel, Ghorbanifar?

A No, sir. I was not aware of it. I was aware that he was highly dissatisfied with the lack of a reliable conduit to the Iranian Government. I think we all were.

Q But in terms of what you told me, so I can

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place it properly chronologically, you were not knowledgeable of the second channel until a few days after this event took place?

A No, sir. Well, I was aware that, one, Mr. Cave had met with Mr. Hakim's agent in New York. [redacted] That agent had a contact [redacted] who had a contact at the senior level inside the government in Tehran. I was aware of a meeting on 15 August. I was aware that Mr. Hakim and Mr. Secord had met with someone in Brussels, an Iranian, but I was not aware that the second channel was moving to a rapid fruition and adoption until 9 September, sir.

Q That's the point I'm trying to focus on. Did it come to your attention at this time or any other time that what Colonel North had in mind was taking care of the first channel by getting him indicted?

A At that point it did not occur to me. It was clear that Mr. Hakim -- and I knew from Mr. Secord and from what Mr. Ghorbanifar told me, as well as Mr. Nir, that Mr. Secord had an intense antipathy towards Ghorbanifar. I wrote down what Mr. Hakim said. It seemed rather suspicious to me.

Q What I'm really asking --

A That here is some sort of alleged diversion out of Houston and suddenly here's Ghorbanifar. Here Mr.

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Hakim is stating that Mr. Ghorbanifar and his banker, Khashoggi, are suddenly involved in this other activity. That came as a surprise and I had doubts as to the reliability.

Q Did you ever reach the conclusion or suspect that you were being manipulated in early September 1986 to endeavor to cause criminal action to be taken against Ghorbanifar?

A No.

Q You did not suspect that?

A No, not in that respect. The fact that Mr. Hakim was speculating, and I put this in the context of speculation, he presented no evidence. I looked somewhat askance at that statement in paragraph 5. But as far as a conspiracy to get Ghorbanifar indicted, I didn't see that, nor, based on this, can I see how that could have ever occurred. How could that link? If Customs and the FBI couldn't find any linkage to Ghorbanifar, how could they indicate him?

Q In terms of suggesting that there was such a linkage, were you asked to pass that suggestion on to the FBI or the Customs Service?

A No, sir. I don't think, very candidly, Colonel North gave me no indications. I think he kept insisting he thought an alleged diversion might be

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underway. Could be, if you want to speculate, that Mr. Hakim was trying to manipulate Colonel North, sir.

Q I suspect that that's a live possibility. What I'm trying to get a sense of is why on earth Colonel North would want to take any risk of criminal action being taken against Ghorbanifar at this delicate stage.

A I couldn't envision it, and I just attributed the statement in paragraph 5 to the fact that Mr. Hakim and Secord were partners and they both had expressed intense antipathy towards Mr. Ghorbanifar. And if they can somehow muddy the name of Ghorbanifar, Mr. Secord and Mr. Hakim were most willing to do so.

You can see earlier, as you recall, earlier Mr. Ghorbanifar did not like Mr. Hakim.

Q I know there was no love lost.

A Based on my memorandum of the spring of '86.

Q All right. You were not conscious, then, of being privy at this or any other time to an attempt to take care of Ghorbanifar by creating a situation where criminal charges were brought against him?

A No, I don't. I don't think that would hold water. I don't see how this -- they would have had to have had specific evidence linking Ghorbanifar to this alleged diversion.

Q Well, the only reason I pursue it is because

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it looks to me like Hakim was suggesting to you that there may be such evidence when he talks about the bankers and users certificates, letters of credit and the like. Were efforts made to get that kind of evidence?

A Not to my knowledge. The fact that Khashoggi can get end user certificates I think is not unknown, given the fact he is one of the world's --

Q For American TOWs that could get to be a more serious problem.

A Well, that's right, and that was Colonel North's concern. How could this happen when TOW missiles are very sensitive items and carefully accounted for? Colonel North, in his conversation with me, said he just didn't believe that this could be happening, but he had to have it checked out. I think he was quite sincere.

Now whether Mr. Hakim was trying to manipulate Colonel North I can't speculate on that, and I will not.

Q Did you suggest to the FBI, the Customs Service officers, the name of Ghorbanifar?

A No, sir.

Q You did not?

A No, sir.

Q So you described the potential transaction but you didn't identify people that they should talk to; is that correct?

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A That is correct. I would not at that stage raise the name Ghorbanifar to either of those organizations, given the fact that we had an exceedingly sensitive Presidential initiative under way.

Q That's very helpful. I appreciate that, and I do apologize for keeping you so late. I need to talk to you at some point about the Furmark conversation and the Nir conversation in September, but that point doesn't have to come for a while.

A Could you refresh my recollection on the Nir conversation?

Q On September 11.

A Oh, sure. That's easy.

MR. KERR: Thank you very much. You have been very patient, Mr. Allen. Thank you.

(Whereupon, at 7:14 p.m., the taking of the instant deposition ceased.)

_____

Signature of the Witness

Subscribed and sworn to before me this _____ day of _____, 1987.

_____

Notary Public

My Commission Expires: _____

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CERTIFICATE OF REPORTER

I, Michal Ann Schafer, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michael Ann Schafer

NOTARY PUBLIC

My Commission expires February 28, 1990

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Stenographic Transcript of

HEARINGS

Before the

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

CONTINUED DEPOSITION OF CHARLES ALLEN

Monday, June 29, 1987

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CONTINUED DEPOSITION OF CHARLES ALLEN

Monday, June 29, 1987

United States Senate

Select Committee on Secret

Military Assistance to Iran

and the Nicaraguan Opposition

Washington, D. C.

Continued deposition of CHARLES ALLEN, called as a witness by counsel for the Select Committee, in Room SH-219, Hart Senate Office Building, Washington, D. C., commencing at 2:45 p.m., the witness having been previously duly sworn by MICHAL ANN SCHAFER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direction.

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APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

CHARLES KERR, ESQ.

TIMOTHY WOODCOCK, ESQ.

TOM POLGAR

On behalf of the Central Intelligence Agency:

KATHLEEN McGINN, ESQ.

RHONDA HUGHES, ESQ.

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PROCEEDINGS

Whereupon,

CHARLES ALLEN,

called as a witness by counsel on behalf of the Senate Select Committee and having been previously duly sworn by the Notary Public, was further examined and testified as follows:

EXAMINATION

BY MR. KERR:

Q Mr. Allen, essentially we're going to concentrate on the last part of 1986 today, but we now have gotten copies of various things that were found in the box of notes and miscellaneous documents of yours that the Independent Counsel had, and I'd like to start today by going through some excerpts from those documents that are not dated to see if you can give me a sense.

A I have not seen those since January, so I have no idea what's in it.

Q Let me show you a document that's called "Add-ons, Comments." It's our number C-0955 and 956. It will be Exhibit 48.

(The document referred to was marked Allen Exhibit Number 48 for identification.)

(Pause.)

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A I'm sure this was a conversation that occurred in the July 1986 time frame. As you will recall, Colonel North was assured by Mr. Nir in early July that another hostage would be released. Colonel North paged me -- and I was attending a seminar at the Office of Personnel Management with Constance Horner -- and I was called to the telephone, where he had stated that Nir had made this statement, that it was imperative that we increase intelligence collection, [redacted] and that he was going to notify other senior officials of the government -- I think ostensibly those members of the Operations Support Group. [redacted] No hostage came out. Colonel North then called and stated that Admiral Poindexter had chastised him severely, that hopes had been raised and then dashed, he was in bad odor with the Admiral, and that from his perspective it would be good if I received phone calls from Amiram Nir until the situation improved.

Nir was very disturbed that he had lost direct contact with the White House -- extremely disturbed. He called me every day or every other day after that for the next two to three weeks, where he worked very hard with Manucher Ghorbanifar to attempt to release, to obtain the

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release of a hostage.

This is one of those conversations where he was trying every avenue, clearly, and he indicated that he had talked to Prime Minister Peres, Defense Minister Rabin, about this, about the fact that the government of Israel had lost this direct link into the White House, at least temporarily. And he, in this conversation, described the efforts to which he had gone to try to get some movement on the release of American hostages in Lebanon.

Q To sort of place it by dates, my notes indicate that that passing of the baton to you would have occurred very early in July and probably would have ended about July 26, when Jenko was released.

A That is correct, sir.

Q So this would have been generated in that three and a half-week period?

A In that time frame, yes, sir.

Q And this reflects a call from --

A From Mr. Nir in Tel Aviv to me in Washington, and the strenuous efforts to which he has gone -- that is, Mr. Nir has gone -- to try to obtain some movement on the hostage issue, including even looking at -- he talked in oblique terms, but he was pushing very hard and had talked to some people that he indicated were not the

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nicest individuals in the world.

Q In terms of people he's apparently referring to on the second page there is a reference to the Hashemi brothers. Do you recall what that might have been about?

A Well, I pressed him. He said that he was exploring all channels and that one channel was connected to the new initiative, and I wasn't certain what that meant and I still don't know what that means. But he said that the channel was connected to bad guys, and when I pressed to try to explain to me what he meant, since I was serving essentially as a cutout or a conduit for Colonel North, he said well, he had talked to some members of the Hashemi brothers, and I wrote that down. That's all I have. I don't have any additional background.

Q Do you know if this is the Cyrus Hashemi family that he was referring to?

A I assume that is what he was referring to, at least some of the Hashemi brothers. Cyrus Hashemi died in July '86, as you recall.

Q That was my next question. You don't recall whether this conversation took place before or after Hashemi died?

A I didn't know that Hashemi had died in July. I later learned that Hashemi, who was caught in the sting

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in April of 1986, later died rather suddenly, presumably in London.

Q Nir did not relate to you Israeli attitudes toward Cyrus Hashemi in this conversation?

A No, not at all, except he clearly stated this was a risky channel.

Q There are two documents that have the names of Dick Secord and a reference to Olmstead on them that were in your files, and I wanted to refer them to you and see if looking at them will give you any recollection of when you might have been discussing these items.

The first is CIIN 4012, and second is CIIN 4011. They will be marked as Exhibits 49 and 50.

(The documents referred to were marked Allen Exhibit Numbers 49 and 50 for identification.)

(Pause.)

A The document number 50 looks familiar. In May of 1986 we were making final arrangements relating to Mr. McFarlane's trip to Tehran. One of the things that Mr. Ghorbanifar needed because he was part of the advance party was a flight profile, and Mr. Secord had developed such a flight profile. As I recall, also Colonel North had some material that he wished passed to Mr. Ghorbanifar.

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Mr. Secord stated that in view of the fact that the Government had no courier to convey this information to Mr. Ghorbanifar in London he would provide a courier, and I took some material to Mr. Secord and he brought in the courier. And I don't recall the name of the courier but I gave the material that Colonel North provided, plus General Secord showed us a flight profile and I obtained a copy of the flight profile.

Q When you use the term "flight profile", what are you referring to?

A That is the departing time, the specific routes, the specific air routes, when it was going to make calls back to its communications center, how it would go in over Iran, what would be the checkpoints inside Iran.

So we had a flight profile which Mr.

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Ghorbanifar needed in order to give to the Iranian air controllers. [redacted] So we obtained that. And General Secord brought in a young man and I don't recall whether his name was Olmstead. I see Olmstead is written down, but I don't know who Olmstead is. And he said this individual will carry the material to the Churchill Hotel, Portman Square, in London, and when it's delivered he will call you and say all is well and you can then inform Colonel North.

And that did occur in May.

Q Now you actually saw the person that was held out to be the courier?

A Yes, sir, I saw him.

Q Could you describe that person to me, please?

A I can't describe him. He was just a young man, probably in his late 20s or early 30s. And I don't recall whether he has black hair, brown hair. I just don't recall him. He came in for a few moments and he asked for a physical description of Mr. Ghorbanifar, and between General Secord and myself we gave a description so that when he transmitted the information to Mr. Ghorbanifar he wouldn't mistake him for another Iranian.

And I recall that he probably travel under the pseudonym of Smith, and he stayed, I believe, at the

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Hilton on Park Row. He stayed overnight before he flew back to the United States. And he called me from the Hilton and said that the mission had been accomplished, and I conveyed that to Colonel North.

Q The second document we just marked as 49 also has reference to Olmstead on it. It also has what appears to be an address. Do you have any recollection of that document?

A I don't have any recollection of document 49.

Q Is it in your handwriting? Can you tell?

A This looks to be in my handwriting, yes. It looks like it's in my handwriting, but I don't have any recollection of what that is.

Q And with regard to Olmstead, you don't have a clear recollection of whether or not the courier that you saw was the person that was represented to be having the name Olmstead?

A I don't think General Secord gave me his name. But he said, to the best of my recollection, he stated this man would be traveling under the name of Smith and that he would call me from the Hilton once he had accomplished delivery. It was absolutely essential from our perspective that we get the flight profile to Mr. Ghorbanifar in order to ensure the safety of Mr. McFarlane.

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Q With regard to the Olmstead reference that's on Exhibit 50, that is in your handwriting?

A That looks like my handwriting.

Q The name Olmstead doesn't have any particular meaning to you today as to whether that was the courier or had some other connection to this transaction?

A I don't know. I don't recall. The man was in his late 20s or early 30s. He had short hair. But that's all I can recall.

Q Did he appear to have the use of both of his eyes?

A I can't recall, sir. He was young. He spoke sort of southern English, seemed like me might have been from the south, but beyond that I have no distinct recollection. He was only in the office for a few moments. I probably was in the office less than 15 minutes.

Q Whose office did this take place in?

A This is General Secord's office.

Q General Secord's office at Stanford Technology?

A Yes, in Vienna. I ran over and dropped the material that Colonel North had given me, as well as picked up a copy of the flight profile [redacted]

Q Why was it that there was not a government

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courier available?

A I can't answer that question. Colonel North was the one who was making the arrangements with General Secord. Generally the number of Agency people cleared for this was kept, as you know, to a handful, so I guess consideration was given to keeping it to a very small number of people, and Mr. Olmstead did not seem unfamiliar with the initiative. I mean, he didn't express surprise that he was going to London -- if it was Mr. Olmstead.

I want to make sure. He was not introduced to me by name, but General Secord said he will use the name Smith when he calls you from London.

Q My primary curiosity is where the name Olmstead came from. You heard it from somebody and put it on this piece of paper, and if you can tell me where it came from that would be helpful. If you don't recall, you don't recall.

A I don't recall, sir. I just don't recall.

Q I'll show you a two-page document that's headed "Mr. Ghorbanifar", which will be Exhibit 51.

(The document referred to was marked Allen Exhibit Number 51 for identification.)

(Pause.)

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A This, I assume, was some telephone call from Mr. Ghorbanifar in the summer of 1986 where he again tried to state some of his concerns over the financing of the HAWK spare missile parts, since we have the term 240 and, as you recall, there's 240 HAWK spare part line items.

I don't recall many of the details of this, but again he was talking about the cost, what he had charged. I guess he says $3 million had to go to the financier. But I don't understand the financing here. This is Mr. Ghorbanifar talking very excitedly and very rapidly over the telephone.

He talked about his senior official in the Prime Minister's office being angry and not calling, and that in fact he could cause problems. I guess he said "could cause damage". Beyond that I don't have any good ideas on all of this.

Q In trying to place it more precisely in time, nothing about this document --

A I would state that this probably occurred -- it must have occurred in the July time frame, because I think you also showed me notes at our last session of an August call where he talked about that he was only charging a 41 percent premium and that the United States charging five or six times that, that something was very

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much amiss.

Q The last reference on the page to action in north and south, do you have any idea what that refers to?

A No, I don't know. I don't recall.

Q Let me show you another collection of document titled "Numbers". Again, if you can place it for me as best you can in time and give me the context, I'd appreciate that. This is Exhibit 52.

(The document referred to was marked Allen Exhibit Number 52 for identification.)

(Pause.)

A This is a conversation with Amiram Nir, the special assistant to the Prime Minister of Israel on counterterrorism. I can't precisely put the date on this. It looks to me like that this might have been a telephone call or when I met with him face to face in September '86. We're talking about an August or September time frame where he tried to convey to me the financial arrangements, as he understood it, involving the HAWK spare missile parts, and Mr. Ghorbanifar's problem.

He talks about only 177 line items being supplied of the 240 requested. He talks about the cost

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to Ghorba instead of being $15 million -- as you recall, Ghorba, Ghorbanifar, borrowed $15 million. Cost to the Israelis $19.6 million. Twenty percent financing cost. A total of $24 million.

I don't recall precisely. I just wrote these down. I think I mentioned them to Colonel North, that this was the financing as Mr. Nir saw it, and he said at best Mr. Ghorbanifar could only achieve a $2 million profit, that he had paid bribes and he had other costs. He said the problem, as I recall, related to the official in Iran who had found a 1985 microfiche which really set the base manufacturing cost of the HAWK spare parts, which had created problems since the cost had been escalated fairly heavily when the costs were given to Mr. Ghorbanifar from the NSC.

So we're talking about an August-September 1986 time frame. I suspect that this was a face-to-face conversation in September, because that's the first time I heard Mr. Nir talk about the new channel, and here he clearly is talking about the new channel -- does it exist -- and he was asking me, as I recall it, the searching question is he real. Does the new channel really have connections to the most senior officials in the Iranian government?

And I simply wrote it down. I did not, as I

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recall, give him any specific answer at that stage. I said I really didn't know anything about the new channel. I suspect that's a September '86 document.

Q The reference to Zebra. I lose track. Zebra was a hostage?

A Yes, sir, absolutely. For 14 months we've referred to hostages as zebras or bank drafts.

Q And what Nir is asking you at that point is will this get us another zebra? He's asking whether this new channel has the potential for getting another hostage out; is that it?

A Yes, absolutely. That was his concern. And, as you recall, initially at least it appeared that Mr. Nir was not familiar with the new channel or was learning about it belatedly. I sensed from Mr. Nir's conversation that he and his government were concerned that they might be cut out of the new channel or that their role would be certainly reduced in the new channel.

And, as I understand it, General Secord took a trip to Israel to indicate that we would use Israel as a support mechanism but that the Israeli role would be less direct. Let's put it that way.

Q I'm going to come back to that here in a bit. Let me do some clean-up work on a couple other documents that we picked up. Let me take you to November of 1985.

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There apparently was a meeting with David Kimche in early 1985, November 8-9, 1985. It is mentioned in various notes we have that Kimche had lunch with Ledeen or North on or about the 8th of November and that Kimche then met with North and McFarlane on or about November 9.

Were you aware of those meetings during that period of time?

A No, sir, I was not. I was not aware of Mr. Kimche's activities until December 3, when Mr. Ledeen started providing background on the Iranian initiative.

Q So in terms of Kimche being in the U.S. and whatever meetings he was having with the NSC, that wasn't something you were privy to at the time?

A No, sir. I was totally unaware of it.

Q We also touched the last time -- this is for purposes of settling the chronology -- on the fact that McFarlane apparently told Casey November 14 and McMahon that Kimche had said that the Israelis were planning to send arms to Iran at the end of November.

Am I correct that you were not aware of that meeting that McFarlane would have had with Casey and McMahon at the end of November?

A I was not aware at all.

Q You have a couple of notes dated November 15, 1985 that were sent about meetings that you were having.

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The first is a meeting with Nir which apparently was scheduled for November 18, 1985, and the second is a meeting with Colonel Zur scheduled for November 20, 1985. Let me have those marked.

(The documents referred to were marked Allen Exhibit Numbers 53 and 54 for identification.)

(Pause.)

A Yes. I don't recall the subject of either meeting. I recall meeting Mr. Nir initially in August of 1985. I met him again in Israel in October '85. He came, I believe, to Washington in November, but this was, as I recall, at that stage because Mr. Nir was not part of the first channel to Iran. Our discussions related essentially to [redacted]

Q Specifically you have no recall of discussing with Nir or [redacted] on the 18th of 20th of November the planned HAWK shipment?

A I'm certain I did not discuss it with Mr. Nir, and I never discussed the Iranian initiative at any time with [redacted]

Q Mr. Rabin was in the U.S. during this period as well. Did you have knowledge of him being in town

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discussing things with McFarlane?

A Mr. Rabin, yes, the Defense Minister. Yes. I think I met with Mr. Nir at that stage.

Q So the Nir meeting would have been in conjunction with the Rabin meeting?

A Yes. He traveled with Defense Minister Rabin. He was very close to the Defense Minister, very close.

Q McFarlane placed the date of the call that he got from Rabin while he was in Geneva as November 17, again the same period of time as these two meetings.

A Yes, sir.

Q That did not spill over on you, I take it. You weren't advised on the 17th that Nir and/or Rabin were trying to get in touch with McFarlane, trying to get some help on the HAWK shipment?

A Not that I know of. I met -- this is November '85. I don't recall that. I believe Mr. Nir returned, did he not, in January '86?

Q Correct.

A Okay. During this period it was very much related to our respective counterterrorist activities. As I think I have at least testified to someone -- I can't remember whether it is you or the Independent Counsel -- in January '86 it was clear that Nir was unaware of the initiative, because Colonel North paged me

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when we were having a beer, and I had my mobile phone with me, and Nir talked cryptically to Colonel North and then made a phone call to Defense Minister Rabin, but he spoke in Hebrew so I have absolutely no idea what he said.

Q But you have no present recollection, then, during the time that you were involved with Dewey Clarridge on this HAWK matter having any contact with either Rabin or Nir?

A I had no contact at that stage about the Iranian initiative. As you recall, I was called on a Saturday morning and told by Colonel North that I should go see Mr. Clarridge, that I shouldn't be at home doing housework and things like that.

Q Let's move in to another document that we have that appears to be dated December of 1985. Again to put things in context, on December 4 you had your meeting -- you and Mr. Clarridge had your meeting with Mr. Ledeen in which he went through in some detail his prior experience with the Iran initiative.

Using that as a kind of a way of focusing your recollection, I'd like you to look at this document and do your best for me in terms of placing it in time and giving me the context. That will be our next numbered exhibit, which is 55.

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(The document referred to was marked Allen Exhibit Number 55 for identification.)

(Pause.)

A That's a very curious set of notes.

Q Yes, sir.

A On the Director, I believe that was -- the Song of Solomon has to do with a letter written by Terry Anderson which came out in about the November-December time frame of '85 to his, I guess, common law wife who lived in Lebanon by whom he had a child, and he wrote this letter which was filled with passages from the Song of Solomon. And if you've ever read them, they are quite interesting.

[redacted]

Mr. Ledeen is, and I can't explain the note where apparently Mr. Ledeen saw me and told me something, except that, as you know, Mr. Ledeen's charge from Mr. McFarlane was to use the Ghorbanifar channel and any others that he could develop from that to talk to

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important officials of the Iranian government. And presumably this relates to that, where Mr. Ledeen said that he had identified other potential senior officials that he could talk to.

As you know, he claims to have had contact with a very senior ayatollah whose name has appeared in the press.

As far as Director Casey, this must have been a call or a direct contact with Mr. Casey in which he wanted me to evaluate any information that Ghorbanifar had on terrorism to see how valid it was, and he said something to the effect, as I recall, you know, we're only going to give him minimal support in the area of terrorism right now. We must keep him focused fully on the back channel to Iran, on opening and developing contacts in Iran, and on freeing the American hostages.

Don't encourage him that somehow you're going to get heavily involved with him on counterterrorist activity. And, as I recall, I believe Mr. Clarridge even wrote a memo at that time to either Mr. Casey or Mr. Clair George which laid out how our relationship would be with Mr. Ghorbanifar. At least Mr. Clarridge did that, I think in the late winter of 1985-86.

Q Try to place these notes. Would you put them in early December?

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A I would put these -- yeah, early December, because I believe it was about that time we received this letter, which we pored over eagerly, that had been sent out from the Hezbollah captors to the common law wife of Mr. Anderson, the AP correspondent.

Q There are a couple of references in the DCI category that I'm curious if you have any recall about. There is a reference to "shipments are dead". Do you recall what that meant?

A No, sir, I do not. I don't have any idea.

Q You recollect that around December 9-December 10 there was a view that the program was over.

A I thought it was over. As you recall, I described fairly vividly running accidentally into Colonel North at the Department of State and we talked at the C Street entrance, where I said I was there working on counter-narcotics and I said well, the initiative is gone, and that was when he told me it was not gone.

Q If that's the case, then this thing would be written sometime probably before December 10, right?

A Yes, sir. I would say that might be a good time.

Q At or about December 10?

A Yes.

Q And essentially I guess what was being said

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here is you were told that the shipments are dead, but Casey wants to do the following things nonetheless -- revitalize linkages to Iran, pursue terrorism, that kind of thing. Is that what is being said here?

A That's what's written there, and I can't put it in a precise context as to why I wrote those notes. But presumably it was either direct conversation with Mr. Casey or what Mr. Casey was told or what Mr. Casey instructed the specific line to be.

Q There's another reference: "Bud wants Findings." Do you have any idea what that refers to? Is that Bud McFarlane?

A That would be Mr. McFarlane.

Q What Findings did he want, if you can recall?

A I don't know, but I assume it was after the November 24-25 event. It was clear that this initiative couldn't proceed without a Presidential Finding, and I cannot put that in any specific context.

Q That doesn't stir any further recollection that you would have today about what you knew about the status of Findings as of early December 1985?

A Only what, as I think I've testified or deposed earlier, that on the Tuesday following the weekend of the so-called airlift to Iran Mr. Clarridge told me that Mr. McMahon felt that a Finding was required

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and that the General Counsel, Mr. Sporkin, and others were working on it.

I had no role in the Finding. I did not monitor the status of the Finding, contrary to what I think someone testified that I should have been doing. The only other reference I know to the Finding was when Mr. Makowka and I were in Colonel North's office on 24 December, when he made some very cryptic remarks as to the fact that something had been signed and the only copy was in his safe.

Q The bottom line is you can't give me anything further about what Casey was telling you about Findings at the time these notes were written?

A No, sir.

Q Let me show you another Ledeen reference. This occurs five days after your December 4 meeting. It's December 9, 1985, and it has references to the travel plans of [redacted] which will be Exhibit 56.

(The document referred to was marked Allen Exhibit Number 56 for identification.)

(Pause.)

A This is my chief of staff clearly took a call from Mr. Ledeen on 9 December and I'm not sure where I was. But, in any event, he talked about the senior

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Iranian official flying to Frankfort, and I can't recall that anything ever came of that particular development.

Q The reason I'm bringing it to your attention, and some of these other documents relating to Ledeen at this period of time, I'm trying to get a clear picture in my mind of what you understood Ledeen's role to be at this point. We're in the first week to two weeks of December. You've had your December 4 meeting.

What did Ledeen tell you? What was his role in the Iran initiative as of that time?

A Mr. Ledeen at that stage told Mr. Clarridge and me, and told me, I remember, quite directly, that he remained as an NSC advisor on counterterrorism, that Admiral Poindexter did not want him working directly on the issues relating to American hostages in Lebanon and possible shipment of arms, that he was to work more broadly to look at the whole issue of Iran and Iranian terrorism, how to deal with the government of Iran.

Admiral Poindexter wanted him to suggest ideas, but Admiral Poindexter was keeping it at arm's length. So this was in keeping with this guidance, which I assumed was legitimate because he continued to draw a salary, a consulting salary from the NSC on terrorism and he provided, at that stage, information which he clearly was receiving from Mr. Ghorbanifar.

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Q That's really my curiosity. Mr. Ledeen tells you all that he has been taken off of the arms for hostages.

A Yes. Colonel North indicated that, too.

Q Yet nonetheless he is apparently in fairly close contact with Ghorbanifar. That didn't strike you as being at odds with what you understood his instructions to be?

A Yes, it always struck me at odds. But he continued, as far as I knew, with a considerable degree of contact with Ghorbanifar.

Q Indeed, December, January, February you knew that he was having dinner with Ghorbanifar and meeting him at various European locales and the like, didn't you?

A That's correct.

Q Did you have any understanding from Ledeen on the extent to which he was reporting his activities back to either North or Poindexter?

A I assumed he was reporting all of his contacts. That would relate to the broader issue of probing various elements of the Iranian government. As I understand it, Mr. Ghorbanifar was one channel, however legitimate or illegitimate. Beyond any question he had contacts at the highest levels of the Iranian government.

Q Did North ever indicate to you the extent to

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which he was familiar with the fact that Michael Ledeen was continuing to have an ongoing social relationship?

A I recall he generally was aware that there was continuing contact. But -- go ahead, please.

Q He didn't disapprove it? That's what I'm looking for.

A I think he expressed concern from time to time over Mr. Ledeen's activities, that he would get into the whole issue of trying to resolve the hostage issue. But Mr. Ledeen came to the NSC, as far as I knew, and he called me from the NSC on secure during 1986, so he must have had a continuing relationship with the NSC that gave certain legitimacy.

Q Were you aware as of early December 1986 that Poindexter and North had given instructions that Ledeen was not to have access to classified materials on the hostage situation?

A What was the date, sir?

Q This would be early December.

A Yes, and I didn't give him information on the hostage situation.

Q Again bear with me. It strikes me as a little hard to understand why he would be compartmented out [redacted] of things with people that he was still going ahead and meeting on a day-in and day-out

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basis.

A How to differentiate the two areas?

Q Yes, sir.

A I agree with you. That question arose in my mind, certainly.

Q Did you have occasion to discuss that with North to try to get a better picture of what role Ledeen really had in all this?

A I never had a clear role, but Colonel North made it clear that on hostage matters I was not to discuss them with Mr. Ledeen.

Q But as to what Ledeen's function was in terms of dealing with Ghorbanifar, did North ever really spell that out for you?

A He never spelled that out. He continued to consult with the NSC and to read material which was classified on terrorist developments.

Q All right.

A I'm not sure how long he maintained his clearances and his consultancy to the NSC, but it was well into 1986, so far as I know.

Q Was it your impression or understanding that Ledeen had a special mission to deal with [redacted] aspects of this matter as opposed to the arms-for-hostages aspects?

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A I would say that's one. I would broaden it beyond [redacted] in the sense that he was looking substantively at the whole issue of Iran to try to determine what could be done about opening a relationship there. It was very imprecise to me and it was never spelled out to me.

Q Let me show you another document that relates to Mr. Ghorbanifar, and what I would like you to do is spend a little time looking at it to see if you can tell me when of the various interviews that you had with Ghorbanifar these notes appear to correspond. That will be Exhibit 57.

(The document referred to was marked Allen Exhibit Number 57 for identification.)

(Pause.)

A This was the interview I had with Mr. Ghorbanifar in the Churchill Hotel on the 25th of January 1986 at Portman Square.

Q And that is the interview about which we have a partial tape; is that right?

A You have a partial tape. You also have a very complete, very detailed memorandum which carries everything that he told me of any importance so far as I knew at the time, of 18 February 1986.

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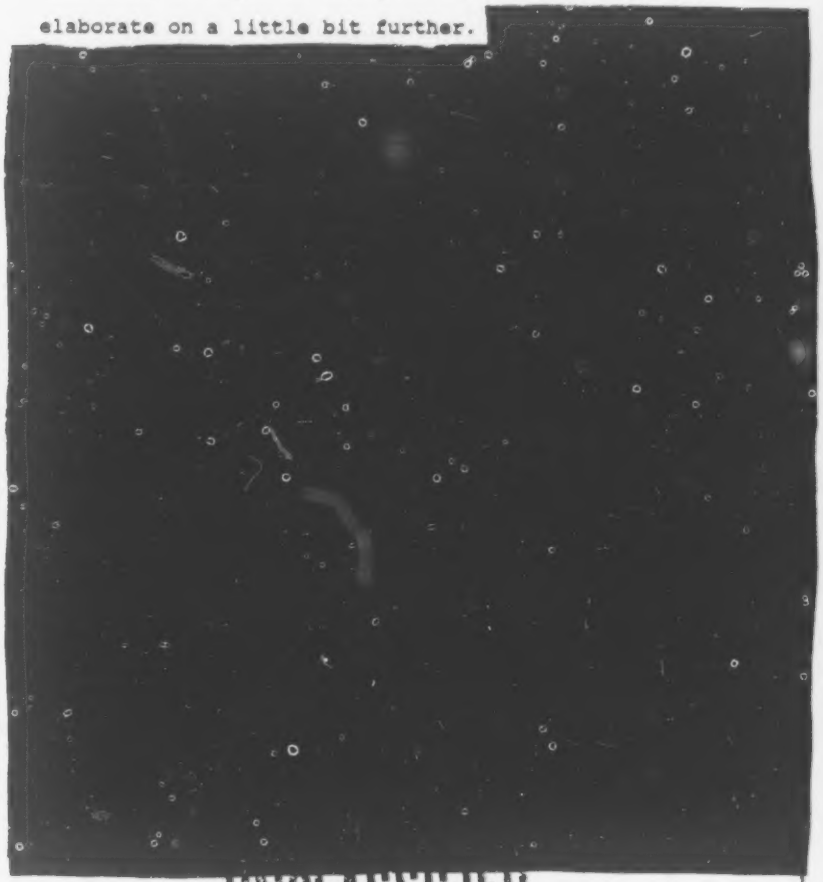
Q So this exhibit, this Exhibit 57, would be the notes that you took while the interview was going on?

A Yes.

Q Now, using these notes as a reference point, there are a couple of things I would like to have you elaborate on a little bit further.



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[redacted]

A As you know, Mr. McMahon sent me to interview Mr. Ghorbanifar and to just convey the intelligence, and he was talking generally across the board about all his knowledge of terrorist groups -- Libya, Syria, Iran.

I can't put this in any specific context, except Mr. Ghorbanifar kept talking about the fact that there were Iranian elements in Europe, there were Revolutionary Guard elements in Lebanon, and I assume in this case he claimed to have at least in his pay or someone close to him involved in this type of activity that [redacted] was aware of perhaps targets.

Most of the terrorism, as I recall, was against Iranian dissidents in Western Europe. He specifically talked a lot about [redacted] being close to him and being in his pocket, so to speak.

[redacted]

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Q There's a reference at 09390 to Ollie North and it's a little bit hard to read. But I'd like you to give it your best shot. There's also a reference to Mr. North on the succeeding page, 91, but I'm particularly interested in the question of $10 million in cash. I'd like you to tell me as best you can what it was Mr. Ghorbanifar was telling you about his plans for Ollie North at this point in your conversation on the 25th and 26th of January.

A The only thing I recall is that he had some very elaborate statements to make about the Hezbollah and the Iranian Revolutionary Guard Corps networks in Lebanon, as well as Iranian networks I assume even outside of Lebanon. I don't know what -- he talked something about $10 million in oil. I really have no idea what all this is about.

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I simply was writing furiously as he was speaking. But in retrospect it makes little or no sense to me. He says he wanted to know how to deal with the United States, how to deal with the Central Intelligence Agency. It's important for him to know that he felt that Ayatollah Khomeini would step down and Montezari, with whom we now know he was in close contact, would come in.

But [redacted] had no funds, needed support. So it all was involved in what I envisioned at the time, this being only the third time, I guess, that I had ever met the man, was some grandiose scheme. And I can't put it in any better context than that.

Q Do you have recall of this program being discussed as a way of generating funds for Colonel North's activities in Central America?

A Only in the sense that toward the end of the conversation somewhere here he apparently said something to the effect [redacted] that if we assisted [redacted] that he could get whatever, $25 million for himself, $25 million for Oliver North's boys down south. That's the only time I ever heard any specific projects being mentioned.

That seemed so absurd I didn't even put it in my memorandum for the record.

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Q All right.

A I wish I could put it in better context. I'm not sure whether that portion's on the tape or not.

Q It's not, and I was hoping perhaps you could tell me a bit more. It looks to me as if a proposal was being suggested here to generate large sums of cash having to do with a program of acquiring oil at below market prices. But you can't tell me any more about that, the program?

A No, I cannot. It did not seem terribly likely.

Q All right. Turning again to Mr. Ledeen, this is a February 3, 1986, memo from yourself to, I believe, Dewey Clarridge, and that will be Exhibit 58.

(The document referred to was marked Allen Exhibit Number 58 for identification.)

You might take a moment to familiarize yourself with the memo.

(Pause.)

A I simply recorded what Mr. Ledeen told me, and I recall that he did that. I did not offer any promises to Mr. Ledeen. I passed it to Mr. Clarridge. Mr. Clarridge and I discussed the matter and it was Mr. Clarridge's opinion that given the direction of Mr. Casey

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that we should not really get involved in this, that Mr. Casey's direction was to focus on the Ghorbanifar channel and work on that.

[redacted]

So it came to naught. Nothing ever occurred from this. But at least I went through this activity at the request of Mr. Ledeen. Again, he represented himself as representing Admiral Poindexter.

Q At this same period of time Ledeen was going to former NSC Advisor McFarlane and making similar requests that McFarlane intervene to get [redacted] visas [redacted] and the like. Did you know that?

A No, sir, not at all. He never told me that he had gone through any other channel on this. He had only come to us to see if we could be of any help.

Q Did he tell you why he was so anxious to assist [redacted]

A He had already briefed, of course, me on his contacts [redacted] and that was recorded in earlier memoranda, [redacted] as you may know, is looked upon

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as very much a very hard line supporter of Islamic fundamentalism, yet our analysis indicates that he has more than one side to him, like many Iranians.

This is an individual of very significant prominence with whom one might be able to establish some, at least, contact, so it wasn't surprising that he would want to contact an individual like [redacted] given [redacted] ostensible credentials. Yet we have found another side where he wants to actually play in the west or deal with the west under the table.

But I had no idea he had gone to Mr. McFarlane with this same request.

Q But he says in this memorandum that he claims to have met with [redacted] on two occasions -- he being Ledeen.

A Yes, sir.

Q And Ledeen asserted that Bud McFarlane wishes to meet [redacted] in the near future; [redacted] Did you explore that with him at all, on why it was that Bud McFarlane would want to meet [redacted]

A No. I could speculate, but I don't have any specific information.

Q Were you aware of any direction at the NSC level to pursue this [redacted] aspect of things the way

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Ledeen was pursuing it?

A I had no specific guidance from the NSC on that except he had always asserted that he remained a consultant to the NSC and he had this broader responsibility to look at Iran in the micro sense to see what could be done and to advise the NSC Advisor.

Q Did he tell you what the two occasions were that he -- that is, Ledeen -- had met with [redacted]

A No. He mentioned those meetings, though, in the 3 December 1985 conversation, and I asked very specifically. I said that's very interesting. I'm sure our operations officers and our analysts would like to have memoranda of conversation on those meetings; could we have them? And he said he had never put anything in writing. It was too sensitive, in his view.

Q Did he ever tell you what had occurred at the meeting that he had attended [redacted] in late October 1985?

A No, sir.

Q He did not?

A No details.

Q McFarlane is retired, relatively long retired from the NSC at this point. What was he telling you about McFarlane?

A I think I would correct the record on that.

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As I understood it, Mr. McFarlane retained his clearances -- I was aware of that -- and that he also, even though he in essence had left the National Security Advisor post that he had made himself available for other duties that the President might so direct.

Q Were you aware of any role McFarlane was playing in any aspect of the Iran initiative as of February 3?

A Not any specific role. When the discussion turned in February to an American delegation going to Tehran his name immediately came up.

Q Can you place that in the context of this February 3 memo?

A No, sir, I can't.

Q Was it before or after?

A I cannot answer, but I would think it would be after that. I think it was in the February-March time frame that McFarlane's name rose to the forefront as the individual who would represent President Reagan in Tehran.

Q Now I don't want to beat this thing into the ground, but it's still not clear to me what it was that McFarlane would be doing [redacted] in February of 1986. Ledeen didn't elaborate on that at all with you?

A Only that this was part of the continuing

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effort to probe key officials of the Iranian government as to what their attitudes were toward the west. Did they really fully believe Islamic fundamentalism was a way for the future? What type of minimal contacts might be developed over time with the Iranian government?

He put it in a very realistic context.

Q Did you discuss this request with North at all during this period of time?

A I don't think so. I don't recall it. I discussed it with Mr. Clarridge but not with Colonel North, to my knowledge.

Q When Ledeen made this request of you, did he make it saying that he had the authorization of either North or Poindexter to make this request to you?

A It was in the context of authorization that he had from Admiral Poindexter to continue efforts with key Iranian officials. He put it in that context. I didn't question him.

Q That was my next question. You didn't have occasion to check?

A No. He clearly had direct access to Colonel North's office and was there on an occasional basis.

Q I'll show you a document that has a couple of parts to it. The first -- well, maybe the first is marked DEA Agents, and frankly I don't know if it goes

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with --

A Would it be possible for me to take a five-minute break?

MR. KERR: Sure. Let's take a break.

(A brief recess was taken.)

(The document referred to was marked Allen Exhibit Number 59 for identification.)

THE WITNESS: This is clearly a DEA agent statement -- [redacted] and [redacted] This probably occurred in January '86 where he first -- where Colonel North wanted me to meet with these people to get some idea of their access.

Colonel North was always pushing [redacted] and [redacted] as true operators who worked the streets and who could really deal with the world's sleaziest characters.

MR. WOODCOCK: That was not untrue, was it?

THE WITNESS: No, sir. They dealt with the world's sleaziest characters. They are DEA agents and I did spend a year with DEA agents as the NIO for narcotics, and I know the kind of life they lead. And he spoke about some of their sources, [redacted] which I know that [redacted] and [redacted] spoke about this source several times.

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BY MR. KERR: (Resuming)

Q Let me stop you for a second. What we have here is what appears to be your notes of conversation you would have had with North?

A Probably -- no. I misled you. I suspect that I met with [redacted] and [redacted] They talked about their contacts, so this -- where this conversation occurred I don't recall. I know that [redacted] and [redacted] came to the White House situation room once where I was present, and it could be at that stage they talked about this source, and I suspect that probably was in the January '86 time frame.

There were other people present at that meeting. London. The ones indicated London is clearly a separate conversation.

(Pause.)

This is the famous meeting that occurred in Room 370 Executive Office Building on or about 28 or 29 January 1986. Present at that meeting were Colonel North, Major General Secord, [redacted] Chief of the NE Division, or at that time he was Deputy Chief of the NE Division of the Directorate of Operations. I think Mr. Noel Koch was there for at least a portion of the meeting, and myself.

And this is where Colonel North laid out his

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famous schedule which ended up with, I believe, the Ayatollah stepping down.

Q Yes. I believe there is a reference to that event.

A At which point I laughed very uproariously, to Colonel North's annoyance, although he laughed, too. But he found it also doubtful.

The next one has to do with -- I see there is a heading called DDCI. That would be Deputy Director of Intelligence.

Q Let me stop you for just a second. The document now we're referring to is 09403?

A Yes. I would assume this was a meeting that I had in Mr. McMahon's office on the 24th of January 1986. Mr. Gates was present [redacted] Colonel North joined us at some point. I was there. That was when we were putting together an intelligence sample.

Q And this was in preparation for the trip that you took January 25-26?

A Well, I left on the 24th. I didn't know I was going to London. Mr. McMahon made the decision sort of on the spot. I simply was working with the Directorate of Intelligence in the preparation of the intelligence package. But then Mr. McMahon said for me to go to London to deliver it, so I did that afternoon.

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The next series of notes appears to be the meeting that occurred at Mr. Ledeen's house on the 13th of January where he said he was a turnkey project man. He didn't want to just be used as a foreign intelligence source.

Q That's C-09405?

A Yes, sir.

This evidently is a telephone call from Mr. Ghorbanifar that occurred late in the afternoon, Washington time, on the 18th of February, 1986, and he was discussing the fact that [redacted] was going to be in charge of operations outside of Iran

Q Let's try to pick up the number of that page. It would be 09410; is that right?

A Yes, sir, that's correct.

Q Now on that score I'd like to clear up an identification that we had on a previous exhibit. In the previous testimony you gave we looked at a series of attachments to a February 24, 1987 letter and we were trying to place them in time.

The document that was attachment D to the Rizzo letter of February 24 had been identified by Mr. Rizzo as steno pad notes of a February 18, 1986, telephone call, Ghorbanifar to Allen. During the course of your testimony when last we spoke you indicated that

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that page, you thought, reflected notes that were taken on January 25-26 at the meeting at the Churchill Hotel.

A Yes. I clearly was wrong in my previous deposition on this. It clearly -- this occurred clearly now as part of a telephone conversation.

Q And the reference specifically that we are looking at has been stamped in the Senate files before as C-183 and now bears number C-09412. You will note at the bottom quarter of the page there is a reference to $25 million for OLN's project in Central America.

We previously discussed that, but I take it this refreshes your recollection that this conversation with Ghorbanifar took place on February 18 in the late afternoon?

A That's correct.

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Q The note that says London in the document that you've identified as being the notes of the meeting with Colonel North, [redacted] and others on the 28th or 29th of January, do you recall what the London reference was?

A That was the way I titled it simply because Colonel North had just arrived from London. He had just stepped off an airplane at Dulles and in fact we had received a call, [redacted] and I, I think from Miss Fawn Hall before he had arrived. As soon as he got into calling range, he had placed a call and said that [redacted] and I were to appear at the Old Executive Office Building.

Q I'm trying to place this by date. There's a reference that says on Tuesday (28 January) Ghorba will

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get Tehran response. And then there's a reference to Wednesday. So this would have taken place, in all likelihood, a day or so before January 28?

A Well, I thought it occurred -- it could have. I was thinking it occurred on the 29th of January. I had just returned from London myself, but Colonel North had followed me promptly to London.

Q You came in about the 27th?

A Twenty-sixth. I flew back on Monday and arrived Monday afternoon.

Q Okay.

A But it was only a day or two later that Colonel North had flown to London and had flown back virtually the same day without stopping. He had spent maybe 24 hours in London, but no more than that.

Q There is some pricing material in this collection of notes that I'm not sure I follow and maybe you can help us out. There's a reference to DOD pricing of $6,000 per item, I guess it is.

A Per TOW, yes.

Q For a total of $24 million. Were you being told at this time, the third week or so of January, that the cost per TOW was in the range of $6,000?

A That's what Colonel North, I believe, read off. It could be that he obtained that price from Mr.

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Noel Koch, who was at the meeting. I don't know where he obtained that specific price. But I simply jotted hurriedly down everything he was trying to say, because he was laying out a very specific schedule. I wanted to get back and get that schedule [redacted] as I recall, which I did that evening.

But those are, as precisely as I could record, those are statements I believe made principally by Colonel North.

Q There's a reference down here to Iranians and Israelis now trust us, $24 million commitment from Iranian. Do you recollect what that was about?

A I assume that had to do with the price that would flow from the shipment of what then, I guess, was-- at that stage we had not gotten on to the HAWK spare parts; we were still into the TOW missile era. I can't elaborate more on that at this stage. It's just too long ago.

Q Let me take you back to Ledeen. We have another memorandum on Michael Ledeen. It's a memo from you to Deputy Director Gates of May 28, 1986. I'd like to have it marked as the next exhibit, which I guess will be Exhibit 60.

(The document referred to was marked Allen Exhibit Number 60

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for identification.)

Take a look at it and I will have a few questions.

(Pause.)

A I recall the memorandum.

Q With regard to this request from Ledeen, did this meeting actually take place?

A Yes. It's my understanding it did.

Q Did you attend the meeting?

A No, sir, I didn't.

Q Do you have any knowledge what transpired at the meeting?

A No, sir. I don't know. But it is my understanding, I believe, based on what Mr. Ledeen said later, it dealt with what was indicated -- [redacted]

Q Do you have any knowledge of Ledeen talking to Gates about the Iran initiative at this meeting?

A No, sir, I don't.

Q We know from other things that have been generated in the course of the investigation that Ledeen was talking to Rodman and some other folks about this time, basically telling them that he didn't think the arms-for-hostages approach was a good idea.

A Yes.

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Q That he did think pursuing [redacted] was a good idea. But he articulated a strong sense that the arms-for-hostages approach simply should not be pursued. Were you aware of that attitude on Ledeen's part by May of 1986?

A Yes.

Q Had he expressed that notion to you before May of '86?

A I believe so. I believe that he began to express that concern in December '85, when he was apparently kept at arm's length and told by Admiral Poindexter that he would no longer be part of the so-called Iranian initiative that related to securing the release of American hostages in Lebanon.

It's my understanding that Mr. Ledeen seemed very nonplussed by this and he commented to me more than once in 1986 that he felt that this was too narrow a focus for the American government to pursue, that he recognized that the hostages were a stumbling block to better relations, but he felt that the focus was misdirected. He said that several times.

Q But you do have a recollection of Ledeen being of that view as early as December of '85?

A He articulated that view more clearly, I think, later on. I clearly remember having lunch at CIA

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headquarters in the executive dining room sometime in 1986 where he articulated that view. He just said in December of '85 he thought it was a mistake, the wrong way to go. I think he was rather consistent.

Q That's good to know.

With regard to the role he was playing vis-a-vis Ghorbanifar during this period of time, you are aware that he did know that Ghorbanifar was in fact playing a role in these arms transactions that took place in the December through May period?

A I'm certain that he knew something of this because Mr. Ghorbanifar is a talkative individual. But Mr. Ledeen never discussed the issue with me in any detail. He just indicated general knowledge that that effort was continuing between Colonel North and Mr. Ghorbanifar and others.

Q Did he speak favorably of Ghorbanifar's arms transactions, or was he opposed to them? Did he articulate that to you?

A As I said earlier, I think that he felt that this was a fairly narrow way to go, that he didn't think it was very productive, that we should be looking much more broadly and we should not subordinate the broader interest of our relations in southwest Asia by focusing only on American hostages in Lebanon.

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He thought that was an unfortunate situation but one that really shouldn't drive the project or drive efforts to end this vacuum that was created with the rise of the Ayatollah in 1979.

Q Did he, during this period of time, December to May, relate to you an awareness on his part that Mr. Ghorbanifar was or was not trying to make a profit on these arms transactions?

A Not in those terms, I wouldn't say that was what he said. He clearly understood Mr. Ghorbanifar's motivations. Mr. Ghorbanifar is an individual who felt he deserved a profit and was a wealthy man, or allegedly a wealthy man, even during the days of the Shah, and that he was driven principally as a businessman to make money.

Q I'm having trouble pulling these disparate elements together here. He was dealing with Ghorbanifar as a social acquaintance or friend during this period of time, was he not, to your knowledge?

A I don't know how he characterized that relationship. I know that he continued to, on his trips to Europe, which were frequent, that it was clear that he saw Mr. Ghorbanifar because he would make mention of it.

Q Well, was it your impression, standing back and trying to look at this period of time at where Michael Ledeen was, that Mr. Ledeen was favorably

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disposed to Mr. Ghorbanifar engaging in arms transactions and thereby profiting from them or not?

A I don't think he was unfavorably disposed to that. He felt that Mr. Ghorbanifar offered opportunities for contact to key people [redacted] and I don't think he was opposed to the idea of Mr. Ghorbanifar making arms deals necessarily. He never spoke that he was against those kinds of transactions.

What he spoke of critically was the U.S. Government's focus on hostages in Lebanon rather than looking at the broader range of issues, and that we were not scrubbing down the policy options toward Iran and that he had spoken to Mr. McFarlane but Mr. McFarlane was very tired about the time he was leaving the NSC and that he had been unable to obtain the ear of Admiral Poindexter on the issue.

These were general complaints, and I'm characterizing them in summary form. But I heard those from Mr. Ledeen on a number of occasions. I can't say I totally disagreed with his judgments on it.

Q When you say he thought the U.S. should have a broader perspective on these matters, are you suggesting that he thought that whatever trade or transactions there were with Iran -- there should be such transactions and

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they should not be tied to hostages?

A Whatever transactions -- transactions in the broadest sense -- yes, that was my understanding -- that we should look for ways to inform key officials in the Iranian government who were not fully aligned with Islamic fundamentalism, leaders who still remembered days of extensive contacts and relationship with the West, that our efforts should be directed to establishing contacts with those individuals and providing them whatever support might be required.

And clearly he was thinking in terms of some form of broad covert action, although he never articulated it in any specific terms.

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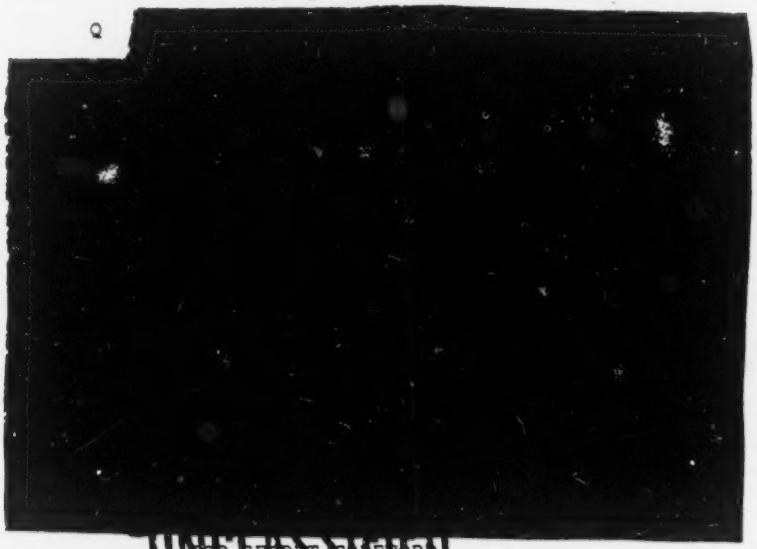

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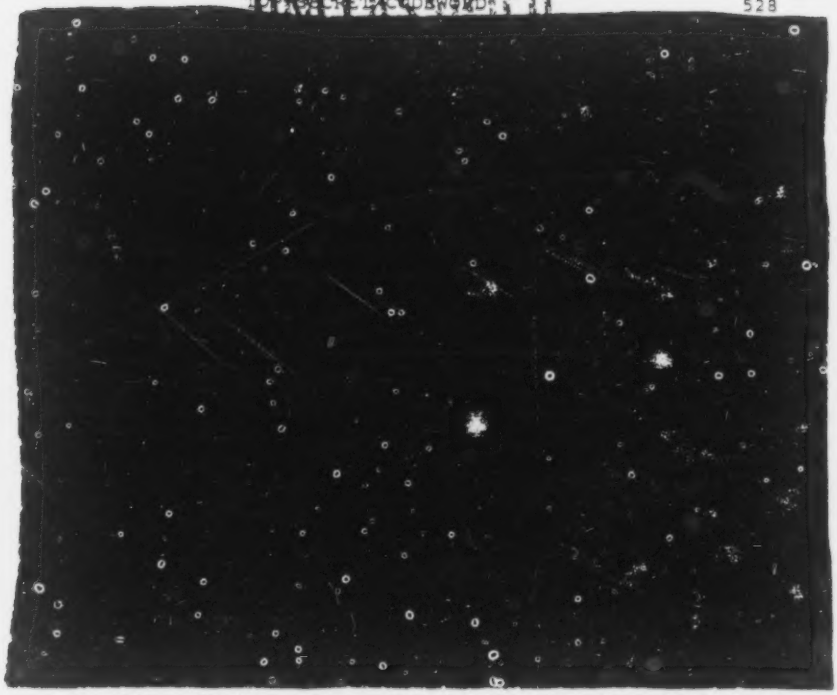

Q Let's pursue a couple of other documents and tie them down in time. This is a document that's CIIN number 3995. It has a July '86 date on it. If you would look at the document, which will be Exhibit 61, and try to place it for me.

(The document referred to was marked Allen Exhibit Number 61 for identification.)

(Pause.)

A Well, this is, I believe, Mr. Nir, and I

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believe this call occurred when the impasse had occurred over pricing and the Iranian repaying Mr. Ghorbanifar and the financiers, as I recall -- and this would be the July time frame when Mr. Nir was calling me every day or every other day fairly frantically trying to continue some movement on the hostage issue.

This is where he talks about the fact that the senior official in Tehran had been told by the Iranian military that the price being charged was very, very high -- six and six-and-a-half times the price in the catalogs. So that's what that's about.

I simply relayed such messages to Colonel North on the secure phone orally.

Q Your recollection, however, is this would be a conversation with Nir, and I take it that Nir is telling you that as far as he could tell Ghorbanifar's prices were not outlandish.

A About 60 percent markup.

Q That he had been, in at least this line of work, reasonable.

A Yes.

Q That the problem was that [redacted] was refusing to pay money now to Ghorbanifar; is that correct?

A Yes. That was the real critical issue, yes.

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Q Let me show you another document which I think is probably from the same period of time. It will be Exhibit 62.

(The document referred to was marked Allen Exhibit Number 62 for identification.)

(Pause.)

A I believe this is something Mr. Cave must have told me about a conversation that he had with the senior official in Tehran and I just jotted down what Mr. Cave told me.

Q Would you also place this in July?

A I would place it in late June or July.

BY MR. KERR: (Resuming)

Q I want to focus in on the activities relating to this pricing problem and make one more sweep of that. By late June/early July you were aware of the microfiche and the concerns that that was causing. From the

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documents that we have it isn't altogether clear to me what the CIA response to that was and the role that you all were playing.

I gather that you were picking up calls from Nir and talking to him about the pricing problem.

A Occasionally.

Q Cave was having conversations with [redacted] and other Iranians; is that correct?

A Just [redacted]

Q Just [redacted]

A Yes.

Q And with regard to the microfiche problem we have references in these documents to the microfiche being made available to U.S. representatives. Was the microfiche ultimately made available?

A It's my understanding that a microfiche was flown out to Frankfort, or a copy of a microfiche, but I never saw it.

Q Do you know when that was done?

A It would have been in the July/August time frame. When I raised the microfiche issue with Colonel North he stated he doubted that it existed and there was skepticism on the U.S. side that such a microfiche existed or, if it did exist, it was an old microfiche and didn't have current -- it wasn't a current price list of

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the cost of manufacturing the HAWK spare missile parts.

There were all kinds of explanations given to me by people at the Agency and Colonel North. I came to the conclusion in late July that there probably was a legitimate microfiche because I had talked to analysts that follow Iranian arms and the Iranians are quite good and they have very current catalogs. I learned the London procurement office knows the price of arms, American and others.

So it didn't surprise me that they had a fairly good fix on the price.

Q Did you talk to the CIA logistics people? I mean, weren't you aware that they too knew that most of the western world gets access to these microfiches?

A I don't think I talked to anyone in Logistics, no. I talked to Mr. Cave about it, but I don't recall talking to anyone in Logistics. I talked probably to [redacted] about it.

Q With regard to the response of the U.S., we have heard that you all were concerned about the price. Was your reaction initially that Ghorbanifar was involved in some kind of a scam or not?

A I had an open mind. That was the original judgment, I think, on the American side, that this is just Mr. Ghorbanifar having been caught short in the 22

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April sting, had some very heavy indebtedness and was trying to cover it by greatly upping the price that he was charging the Iranians.

That story stayed on for a long time. I'm not sure whether Mr. Ghorbanifar was really caught in the 22 April sting or not. I know he was arrested for 24 hours. But I began to believe that there might be other problems, you know, in the August time frame that could account for such a heavy price problem.

Q And we looked the other day at the notes that you took which showed a pricing breakdown that made it rather clear that there was something substantially amiss.

A Mr. Ghorbanifar gave me line item costs of what he was charged and what he charged the Iranians. He gave, I don't know, 15 or 20 examples in a rather hysterical conversation on the telephone. I can only describe it as hysterical because he was screaming most of the time on the telephone, and said the average price markup was about 41 percent.

Q Now when that occurred you knew what the prices were that DOD was charging.

A Well, I don't think I had ever seen that pricing on the HAWK missiles. The information -- I could obtain that information. I knew the total price which

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DOD charged CIA, which was $3.2 million or $3.6 million. I knew it precisely at the time, but I can't recall it today.

Q In any event, you knew that between the $15 million or so that had been charged Ghorbanifar and the $4 million or so that had been charged to the CIA there was a right large gap between them, right?

A There was a wide gap, yes, sir -- very wide.

Q With that information in hand, you knew that there had to be some explanation other than Ghorbanifar's mendacity for this pricing problem?

A That seemed to be the case.

Q What I'm trying to do is trace the genesis of that awareness, when it actually began.

A In August, for me, that there was a legitimate price gap that I couldn't reconcile mentally -- I couldn't calculate it -- that we had a price/cost when we sent the price to the NSC which was -- don't hold me to it -- but around $3.6 million or something like that, and it was clear that we had charged about $15 million, or that allegedly, based upon what Mr. Ghorbanifar had asserted, that we had charged $15 million -- something like that.

So there seemed to be, and I'm not sure just how I had all these calculations at that time, but I

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recall when I talked to Mr. Nir in early September I had the calculations down fairly concretely.

Q Let me take you back into August, though, before Ghorbanifar said I was charged $15 million or whatever for these goods. You had not heard what was charged to Ghorbanifar before them?

A I had heard that we had sent a bill off to the NSC for $3.6 million, but at that stage I don't recall explicitly that I knew what the NSC had allegedly charged Ghorbanifar. But somewhere along the line I think Mr. Ghorbanifar was telling me or telling Mr. Nir, at least, and from Mr. Nir to me, what the charge was, that they had borrowed $15 million for 30 days at 15 percent interest on 15 May.

All this came much clearer, I think, in the September/October time frames. But I hadn't focused on it greatly until the August time frame because at some point I had been told that Mr. Ghorbanifar was so dishonest that somehow he was creating the crisis.

Q Who told you that?

A Well, that was just a general feeling on the part of a number of people at the Agency. And there was also a feeling on the part of Colonel North that Mr. Ghorbanifar was not dealing straight up.

Q One of the things that troubles me and is a

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little hard for me to follow -- and there's evidence of it in a lot of sources -- but here's a fairly clear example. This is a memo of August 13, 1986, where I gather George Cave is giving you a status report, and one of the things he gives you a status report on is microfiches.

And he says in essence we've got a problem, not because we've got a problem with the price but because we can't produce a phonied-up microfiche. And that strikes me as a troublesome development. If in fact we thought we were charging legitimate prices, we wouldn't have to phony up a microfiche, I wouldn't think.

A In the August time frame [redacted] that began to worry me a great deal. Why should we go through doing something that elaborate? And there was talk at that time of dummying up a price list. That did bother me.

Q I would have thought that would be a clue that there was something amiss.

A I may be slow, but that was a clue, yes, sir. As you know, I was focused on a thousand issues every day, but this one was on my mind, certainly on the off hours I wasn't at the office.

Q Let me show you this. It does appear to be

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dated August 13, 1986, and that will be Exhibit 63.

(The document referred to was marked Allen Exhibit Number 63 for identification.)

(Pause.)

A What's the classification of this?

Q I don't know.

MS. MC GINN: Has this been disseminated?

(A discussion was held off the record.)

THE WITNESS: It was conversations like this that troubled me greatly. When I found out that we were even beginning to consider manufacturing a price list [redacted] Yes, this occurred in the August time frame.

[redacted] On II, I believe

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that I probably obtained that from Mr. Cave. The microfiche turned out to be laser-printed and it was hard to reproduce all these new prices.

Q Did you and Cave talk about this microfiche situation? Quite frankly, I would have thought, were I in your position or Mr. Cave's position, and Ollie North responded to this kind of crisis by saying print up a new price list we would have chatted a bit -- something to the effect of what the hell are we up to.

A I think I had a conversation at that stage with Mr. Cave, something along the lines that something is really wrong here and this isn't right. And I think I suggested that it appeared at that stage that Mr. Hakim and Mr. Secord were playing a far more prominent role than they had previously.

Previously they had been in a moral support role, and now they were the principal intermediaries. I said something is wrong here. Something is amiss.

Q Let's just kind of throw that into context.

A It was along this mid-August 1986 time frame.

Q By the third week in July were you aware that North gave Nir -- let me put it this way. In terms of the second channel, when did you become aware of the possibility of the second channel existing? Was that in September or did you know in July?

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A I knew in July that Mr. Cave, I believe, had met a contact of Mr. Hakim in New York and that they were going to polygraph him to determine his reliability. I learned, I guess in August, and it probably was about the third week in August, that Major General Secord and, I believe, Mr. Hakim had met with a new group of Iranians [redacted]

I also became aware that Mr. Ghorbanifar and a senior official in Iran had become aware of it because they were pressing Mr. Cave about what about the meeting that occurred in Europe [redacted] It's amazing that secrets are not kept long in the Iranian government.

So I was aware that we were moving toward potentially a new channel, that Colonel North had long wanted to get rid of Mr. Ghorbanifar. I believe the Directorate of Operations, as you know, had long expressed its serious doubts about the reliability of Mr. Ghorbanifar.

I wasn't fully aware until 9 September that the new channel was official, and it became official that day, I believe, by Admiral Poindexter's decision.

Q I'll stop there in a moment, but let me come back to this period of time in mid-August. With regard to making the fake microfiche, who did that? Was that done by [redacted] in the CIA?

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A Well, if you had to fabricate a new price list, presumably that would be the group that did it. I don't know that it was ever tasked.

Q That was my next question. Do you know if they actually got the assignment?

A No. You will have to talk to someone else.

Q I may not have heard you correctly. You did not actually ever see a fake microfiche; is that right?

A Not a fake microfiche, no, sir.

Q When Mr. Cave was doing this task, trying to create [redacted] the fake microfiche, was he doing it with the knowledge of [redacted]

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[redacted] do you know?

A I'd be very surprised if he wasn't. He reported to [redacted]

Q So [redacted] was kept apprised, to the best of your knowledge, during this August period of this pricing problem and the way of dealing with it?

A Yes. To the best of my knowledge, that's the way the Agency operates.

Q Did you have occasion to discuss with [redacted] what the implications were of preparing a false microfiche?

A No, sir.

Q Did you bring it up to a higher level, to talk to Bill Casey or Mr. Gates about this problem?

A No, sir.

Q Tell me again why, Mr. Allen.

A Because this was being conducted under the aegis of the Directorate of Operations, Mr. Clair George and [redacted] that they were providing the operational logistics support to the NSC. I was doing the collection, intelligence collection and coordination. I felt that they were the proper channel vertically to bring this to the attention of Mr. George and other officials.

Q But you didn't talk to [redacted] about whether

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or not he had raised it to the level of Clair George?

A I just assumed it had been cleared up the line. I would naturally assume that. And today if the same situation replicated itself I would probably react the same way because we are taught to report up the line.

Q This kind of situation, it seems to me, would also raise concerns about operational security. If you found yourself in a situation where you got some very angry Iranians who feel they have been grossly overcharged and the Agency's response is we have to create a false pricing list, I would think that would cause people to be concerned about the operation being blown in short order.

Did you have those concerns?

A That was my principal concern. My principal concern was that the operation would be exposed, and I was alarmed and I told Mr. Kerr that sometime, in my recollection, in the August time frame.

Q Now Mr. Kerr at that time was DDI?

A Yes, sir. He was Deputy Director of Intelligence.

Q And with regard to the conversation with Kerr you would place it sometime in August, I gather.

A Yes, sir. He cannot, I believe, put a time frame on it, but I would put it in the August period.

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Q Was there anybody else present at that conversation?

A Not to my knowledge.

Q What motivated the conversation? What caused you to have it with Mr. Kerr?

A I believe Mr. Kerr asked me for a verbal update on the initiative because he'd been aware of it for a considerable period of time. He had closely followed the McFarlane trip into Iran. And I believe I gave him an update and I talked to him of this strange and rather bizarre impasse that had occurred that had been dragging on for two months, or at least six weeks, and that something was wrong.

And at that stage I was just speculating. I said I wouldn't be surprised but what perhaps we are overcharging at least the middleman on these matters in order to send money to the contras. And he expressed concern and we ended up talking about the operational security of the problem, and I believe Mr. Kerr said it's not a matter of whether it's going to be exposed but when.

And I said yes, I'd have to sort of agree with you that this has been holding for a long time. And I said it's going to be extremely messy if there is something amiss about the operation.

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Q This question really is not intended to be critical, but you write that kind of memo in October.

A I didn't write it. That was a verbal statement.

Q I understand. But by October clearly you are bringing these kinds of thoughts to Casey and Gates in a written format.

A Yes, sir.

Q Why in August when you had these concerns didn't you take them to Casey or Gates?

A It was all speculation. I didn't have any pieces of information. In retrospect I wish I'd walked in or at least, you know, Mr. Cave and I or someone could have sat down and analyzed the situation. I just didn't, and I can't offer any dynamic explanations on why I didn't. I saw and worried more than anything else over the potential exposure.

Q Did you have any reason to think in August that either Casey or Gates already knew there was an overcharge going down on the situation?

A No, sir.

Q You did not?

A No, sir. I don't think they were necessarily aware, unless they were told by someone out of the Directorate of Operations. I don't believe I brought it

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to either Mr. Gates or Mr. Casey's attention until October.

MR. WOODCOCK: You and Mr. Cave didn't have that kind of a conversation either in August; is that right?

THE WITNESS: I told him I thought that something was amiss and maybe something was happening in respect to the contras.

MR. WOODCOCK: You told that to Mr. Cave?

THE WITNESS: Yes, sir.

MR. WOODCOCK: Did you expect that he would have then reported that up his line?

THE WITNESS: I don't know. It was a conversation of where we were expressing mutual concern, since he usually spent most of his day in my office or around my office.

MR. WOODCOCK: Do you recall that coming as a surprise to him?

THE WITNESS: I don't know whether it was a surprise, but he certainly was troubled. I remember Mr. Cave being troubled by the whole situation and worried, but it is so hard to recall it precisely. We both were mutually concerned at the time.

MR. WOODCOCK: And he would have been, of course, a part of the DO.

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THE WITNESS: Yes, sir.

MR. WOODCOCK: Did you assume that he would have taken that information to his superiors?

THE WITNESS: Not at that stage, because it was a matter of real speculation. And I really didn't personally become convinced that my judgments might be right until the 9 October meeting. That really hit me. So I can't speculate on what I thought at the time he might do or what he did. I don't know.

BY MR. KERR: (Resuming)

Q Let me come at it another way. In terms of Cave's role, here's one example, but there are a number of others, where Cave is talking to [redacted] and takes it upon himself to, it says, press but otherwise encourage [redacted] to pay Ghorbanifar. Cave's in a situation, I take it, to your knowledge, that he is lobbying [redacted] to pay these sums of money to Ghorbanifar that Ghorbanifar said he was owed; is that right? Were you aware of that?

A I was aware of most of the telephone calls that Mr. Cave made. He made them, I think, basically from my telephone because it had a tape-recording device on it, and we wanted to get fairly verbatim the conversations.

Yes, I was aware he was calling Mr. -- the

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senior official in Iran and was encouraging accommodation. I saw all the memoranda of conversation at least that were developed.

Q He was doing this at whose behest? At yours?

A Not at mine, no, sir. He was doing this in support of the NSC and with the knowledge of the Directorate of Operations. He simply was using my office as an operating point.

Q How does he get the message, the task? Does that come by way of [redacted] or by way of North, or do you know?

A It was my understanding that the tasking essentially came from Colonel North, although this was closely coordinated with the NE Division. That's my understanding of the way things happened. You can ask Mr. Cave. But he kept his superiors within the Agency, I think, very well informed.

Q Are you familiar with what is now going to be Exhibit 64?

(The document referred to was marked Allen Exhibit Number 64 for identification.)

(Pause.)

A I remember this conversation, yes, sir. I remember seeing this memorandum.

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Q So essentially what George Cave would do was he would keep you apprised on a daily basis, so to speak, of what was going on between him and [redacted] and he and Ghorbanifar, correct?

A Yes. Well, he didn't call [redacted] that often, and he did not really interact with Mr. Ghorbanifar. It was Mr. Nir that interacted with Mr. Ghorbanifar. Mr. Nir was the principal interlocutor with Mr. Ghorbanifar because there was clearly a dislike between Mr. Ghorbanifar -- Mr. Ghorbanifar clearly didn't like to deal with Mr. Cave, particularly in the summer time frame.

Q Why was that? What was your sense of what was causing that discontent on Ghorbanifar's part?

A Because Mr. Ghorbanifar learned through his contact in Iran that Mr. Cave was calling the individual directly and that upset him. Again, after being told he would not be cut out, he believed he was being cut out. And, of course, the only Farsi speaker he knew that could be making those calls was Mr. Cave.

So there was not a lot of admiration on the party of Mr. Ghorbanifar for Mr. Cave.

Q Let me show you a memo of August 28, 1986, from yourself relating a conversation you apparently had with Mr. Nir, and that will be Exhibit 65.

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(The document referred to was marked Allen Exhibit Number 65 for identification.)

(Pause.)

A Yes, I recall this conversation.

Q Could you describe the context of this conversation? What were you and Mr. Nir about at this point in time?

A [redacted]

And in that conversation Mr. Nir asked whether Mr. Cave had been in touch with the senior official in Iran. I said no, under instructions that I was not to discuss this. As I recall, I was under instruction from Colonel North on this issue, but I was undone by the fact that the senior official then turned around and described this conversation in great detail to Mr. Ghorbanifar, who in turn called Mr. Nir.

Mr. Nir found I was being duplicitous with him

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and called Mr. North to complain about me. So I recorded that. I thought it was worth recording.

Q Well, I agree with you. What I don't understand is why Colonel North gave you that kind of direction. It seems to me what happened was something that should have been anticipated.

A He made it very clear that he was working, Mr. Cave was to work back channel with the senior official in Iran and that in conversations with Mr. Nir I was not to acknowledge that any of these conversations had occurred.

Q Well, let me just put it in perspective. You were aware that Colonel North and company had been previously burned on the direct contact with [redacted] is that correct?

A Yes, that's right, and that bothered me, but I carried out the guidance. He was setting, Colonel North was setting the strategy, using Mr. Cave, and I was perforce very careful in what I told Mr. Nir.

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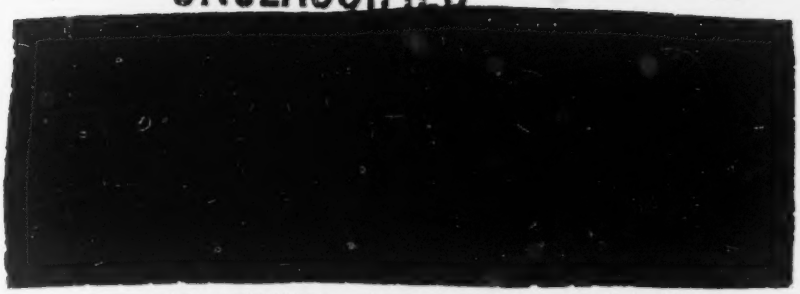

MR. WOODCOCK: You are aware now that Albert Hakim acted as an interpreter in the Frankfort meeting on February 25, 1986?

THE WITNESS: Yes, sir. To the best of my recollection, I did not know that until I heard General Secord's testimony. Maybe I knew it, but I didn't correlate Mr. Hakim with that meeting in February where I think [redacted] went to that meeting and Colonel North and Mr. Nir. And they didn't have a Farsi speaker and they needed a Farsi speaker.

MR. WOODCOCK: When does Hakim become a person that you're aware of, then?

THE WITNESS: I think in July I started hearing the name Hakim with the trip by Mr. Cave to New York to meet a contact, a Mr. Hakim. And then I became more aware of Mr. Hakim when he called me directly on the weekend of, I believe it was, Labor Day weekend, where he had this incredible story that thousands of TOWs were going out of Houston.

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And we had a lot of people trying to find out if this was true, and Colonel North insisted that this man Hakim was very reliable. You can trust him, totally reliable, and if TOWs are going out of Houston there must be something to it.

[redacted]

MR. WOODCOCK: At any rate, [redacted] somebody who

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can speak with [redacted] then does make contact with [redacted] is that right?

THE WITNESS: Yes, that's correct.

[redacted]

MR. WOODCOCK: That's correct. Now what I'm wondering is, my recollection on this -- and I may not be crystal clear on it -- was that following this phone call Ghorbanifar complained.

THE WITNESS: He certainly did -- bitterly.

MR. WOODCOCK: Did he complain to you?

THE WITNESS: He complained, I believe, to Mr. Nir very, very bitterly. And this was about the late March time frame, and I've told the story about how Colonel North found out about this and the fact that Ghorbanifar was essentially beside himself. Mr. Nir felt a very sad mistake had been made in strategy, and Colonel North paged me twice going over the Woodrow Wilson Bridge.

I recall my pager going off twice, and I called him back on my mobile phone, and he said call Ghorbanifar, invite him to the United States. And that's when I went home and made a call.

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MR. WOODCOCK: Where you made aware at that point that part of Ghorbanifar's unhappiness was that this unauthorized contact had been made directly?

THE WITNESS: Yes, absolutely.

MR. WOODCOCK: But I gather you did not know that the person making the unauthorized contact was Albert Hakim?

THE WITNESS: I recall now the name Hakim, yes, sir, but I didn't relate it to a particular person. I was told that this was an Iranian expatriate or some such living in this country.

MR. WOODCOCK: That would have been North who told you that?

THE WITNESS: I believe Mr. Cave told me that. I believe Mr. Cave. Mr. Cave was working. In fact, he was in my office more than anybody else. He was there hour after hour, so I'm sure Mr. Cave told me.

MR. WOODCOCK: Did you get any information from either North or Cave on who Hakim was, this person who suddenly out of the blue is talking to [redacted]

THE WITNESS: Only that he was an expatriate Iranian and that he was someone that had contacted Colonel North. It was my impression that Mr. Cave was not totally unfamiliar with Mr. Hakim, but that might be wrong. I shouldn't speak about impressions.

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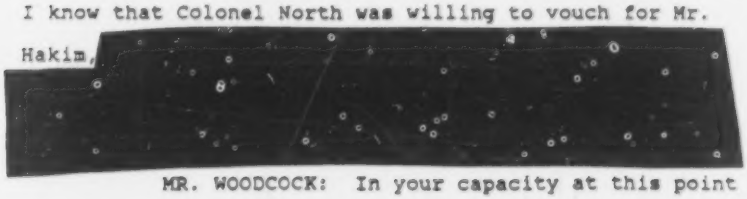
MR. WOODCOCK: Were either Colonel North or Mr. Cave, from your recollection, at this time in a position where they were able to vouch for Mr. Hakim?

THE WITNESS: I don't know that Mr. Cave was. I know that Colonel North was willing to vouch for Mr. Hakim,



MR. WOODCOCK: In your capacity at this point would Hakim's reliability have been something that would have been a concern for you?

THE WITNESS: I don't know. I just didn't know enough about the situation, and it was clear that Colonel North, as he operated throughout this initiative, he did not tell me what he thought I didn't need to know. We operate under a need-to-know principle and I didn't need to know that for tasking and trying to collect intelligence.

So I didn't raise issues about it. But I knew it was considered at that stage by Colonel North as a tactical error and that Mr. Nir felt it was a very serious error. And we had Mr. Ghorbanifar over and Mr. Ghorbanifar went away very pleased and reassured. He went away to visit his girlfriend in California.

MR. WOODCOCK: There was more than one phone

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call, too; is that correct? Is that your recollection that it was more than one?

THE WITNESS: I believe there was more than one telephone call. I believe there was. And essentially the Iranian official turned around and told Ghorbanifar all about these calls and it seemed to me that we sort of repeated that mistake later on in the summer. And I guess, getting back to Mr. Kerr's questions a few moments ago, that bothered me, that we were repeating from as strategy point of view a mistake we had made in the spring. We made it again in the summer.

MR. WOODCOCK: Did anyone ever explain to you why Hakim was imported in at this early point?

THE WITNESS: Yes. I think that there was a general feeling on the part of Colonel North and Mr. Cave that this was not a trustworthy individual, Mr. Ghorbanifar, and we ought to try to set up an alternate means of talking to his interlocutor in Tehran and to cut out Mr. Ghorbanifar.

And I recall that I talked to Colonel North and told him that was a mistake. I know Mr. Clarridge, who was aware of this, thought it was a very serious mistake and told Colonel North that Mr. Ghorbanifar, if nothing else, knows too much. If you really want this

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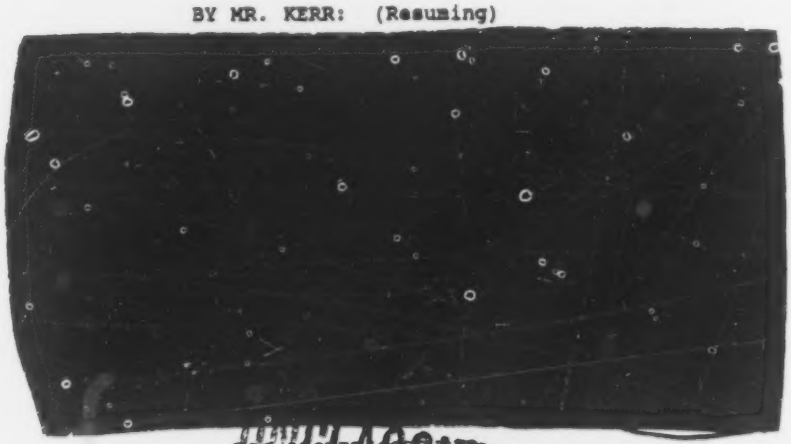
highly sensitive, highly secret initiative to continue, how can you cut out Mr. Ghorbanifar? Maybe he's inconvenient. Maybe he's difficult. But you're already into this situation in a very deep way.

And I remember sitting beside Mr. Clarridge when he talked to Colonel North. I thought Mr. Clarridge was absolutely right. I think he's been proven right, and I think my view has proven right, too -- that if you're going to extricate yourself from Mr. Ghorbanifar you've got to do it very carefully and with appropriate amends or, as Mr. Hakim said in the fall, September, I guess, or October '86, with payoffs. But that never happened. No one ever attended to Mr. Ghorbanifar even in the spring or in the summer.

(A brief recess was taken.)

BY MR. KERR: (Resuming)



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[redacted]

Q Let me take you into early September. Let's go to the September 9, 1986 meeting, which I think we touched on when last we talked. But we ought to try to wrap that up. The September 9 meeting is when you are briefed by North and are told of the second channel and the intention to close down the first channel; is that correct?

A That's correct.

Q Now from other documents we have it appears that you also briefed Casey that same day.' Do you recollect that?

A Yes. I recall calling Mr. Casey on the secure line.

Q So you would have met with North first and then apprised Casey of what had happened in your meeting with North?

A Late that afternoon or early evening, because it was late in the afternoon on the 9th when Colonel North -- I stopped by his office. He came bursting in and said that Admiral Poindexter had just approved the second channel.

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Q Do you recall seeking approval from Casey to go along with the second channel aspect of things?

A I guess no. I didn't seek any approval from Mr. Casey. I just told Mr. Casey that Admiral Poindexter had approved a new channel [redacted]

Q Let's just take a look at a couple of pieces of paper. Let me show you a PROF note to North from Earl, which apparently is reflecting a telephone call that you made to him the following day, September 10, reporting on the conversation that you had had with Casey on the evening of the 9th. That will be Exhibit 67.

(The document referred to was marked Allen Exhibit Number 67 for identification.)

Then I'm going to also show you your memo of September 10 to Director Casey reviewing the matters that you discussed with North the day before, on the 9th, and that will be Exhibit 68.

(The document referred to was marked Allen Exhibit Number 68 for identification.)

(Pause.)

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A . I recall that this opening of the second channel occurred about the same time Mr. Frank Reid was kidnapped in Lebanon, and Mr. Casey I guess -- I recall that Mr. Casey was fairly strident in saying that if we're going to proceed with this we ought to try to pressure the Iranians to show their good faith by securing the release of Mr. Reid.

Q Just so I understand what it was you were conveying, were you going to Casey to get Casey to say yes, this is authorized to proceed with the hostage channel, or were you going to Casey apprising him, and he said --

A I was going to Mr. Casey to apprise him of Admiral Poindexter's decision [redacted]

Q But when you relayed, as you apparently did, to Earl that Casey said fine on going ahead with the hostage project, provided we get Reid back, he was just reacting rather than having an approval function is what you are telling me?

A That's right. And I notice I wrote down here "Reid released immediately." That must have been the next day, or I must have recalled Mr. Casey's caveat that

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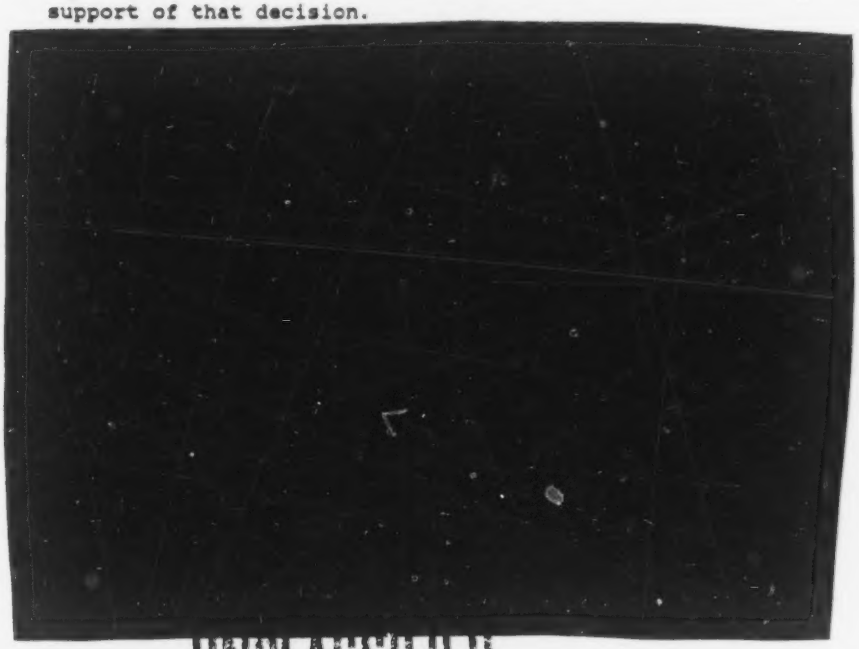
Mr. Reid should be released before we proceeded with the second channel. But we proceeded with the second channel in any event.

Q But you were not of the understanding that proceeding with the second channel required Casey's approval. This was still very much an NSC initiative from your perspective?

A From my perspective Admiral Poindexter had made the decision and what was being required was that we should proceed as the Central Intelligence Agency in support of that decision.



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[redacted]

Q The reference of Ghorbanifar being cut out, which says "to cut Ghorbanifar out Ollie will have to raise a minimum of $4 million", what did Ollie tell you about $4 million when you talked to him?

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A That was all he said. He said that he believed that for the United States to move to the second channel that a payoff had to be made to Mr. Ghorbanifar in some form, and it would be a minimum of $4 million. So I put it in the memorandum.

Q He didn't tell you how he came up with the figure?

A No.

Q He didn't tell you where he planned to raise $4 million?

A No, sir, he certainly didn't. That certainly raised --

Q That's more than your average lieutenant colonel's salary, as far as I recollect.

A That's true. But it was at that time -- and I didn't put it in that memo -- that he says maybe we will have to take it out of the reserve.

Q I wanted to come to that. This is the point when this notion of the reserve was explicitly raised to you by Ollie North?

A Yes, sir. And when he said reserve little wheels clicked in my mind, that all my fears were probably true.

Q Now you didn't just write a memo to Casey. You also talked to him about this.

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A I talked to him on the secure telephone.

Q Did you talk to him about the reserve idea?

A I sent a copy of that to Gates and Mr. Casey. I just let it stand. At that stage I didn't because, again -- well, I probably should have, but these were my own private musings at that stage, and my own worries that the security -- I guess what focused my mind with the opening of the new channel was that Colonel North was moving rapidly into this channel and that he had not shut down the first channel in a way that would be damage-limiting.

And I remember great concern at that stage.

Q Again bear with me, Mr. Allen. I have trouble dealing with these no concepts. But when somebody who's a lieutenant colonel in the U.S. Marine Corps says, A, that he's going to have to raise $4 million, and, B, that he's got a reserve, back home in Baltimore that would cause some eyebrows to go up. Did you ask Ollie where on earth he was planning to get $4 million?

A No, I didn't. But, you know, it occurred to me that even the Israelis could find ways to raise money. It wasn't -- at that stage I was worried that there were reserves and there were monies in some accounts somewhere that could be used for this purpose, but it wasn't out of the question but what, given the fact that Peres and

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Shamir and Rabin were also heavily involved, that maybe even the Israelis would find a way to take care of Ghorbanifar, "take care of" in a good sense.

Q I understand. I didn't know the Israelis had a reputation for laying $18 million loaves of bread on the table.

A I'm from North Carolina, and $4 million is a sum I can't imagine, but I didn't question that. We had been through several sequences where substantial financing had been raised by mysterious middlemen, so it didn't daunt me about the fact that Colonel North was mentioning $4 million.

What bothered me and what bothered me afterwards was the fact that there was a major operational security problem developing, because he had been talking about taking care of satisfying Ghorbanifar, Ghorbanifar being pursued by his creditors.

[redacted]

I felt that this was a very dangerous period in the July/August period, so I was very concerned. I just felt that the situation was getting out of control.

Q But you did not feel it was something you could sit down and grab the Colonel by the scruff of the

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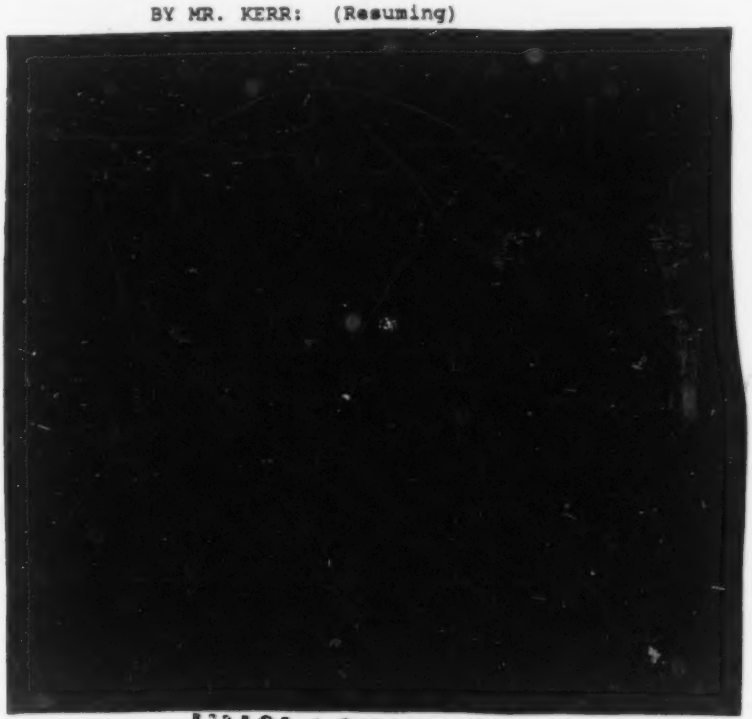
neck and say, Ollie, what is it you are planning to do here, my man. You didn't ask him that?

A No, I didn't. And Mr. Casey and Mr. Gates I think just initialled off.

MR. WOODCOCK: Did you discuss the notion of a reserve with George Cave at all?

THE WITNESS: I don't recall discussing it at that stage, no.

BY MR. KERR: (Resuming)



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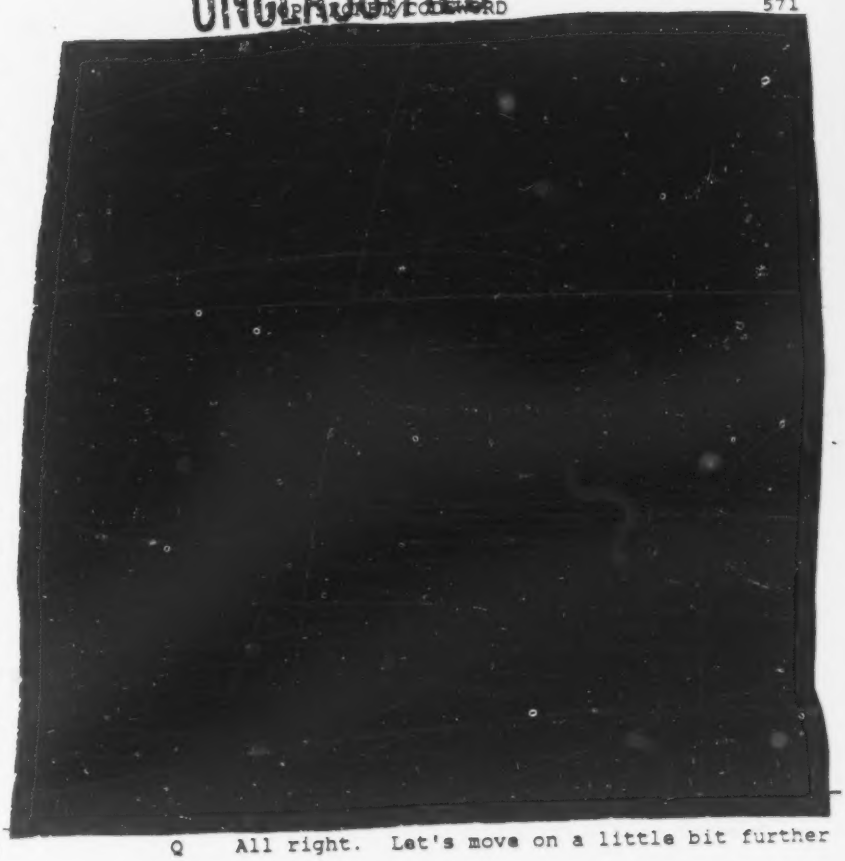

Q All right. Let's move on a little bit further in September to the meeting with Nir. Nir comes in about September, a little bit before this, about September 10. Is that your recollection?

A Somewhere around that.

Q This would be just after the meeting you had with Colonel North?

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A That's correct.

Q And Nir met with a number of people. You and Nir met; is that correct?

A Yes.

Q Did you meet one-on-one?

A We met generally at the Agency [redacted] to discuss mutual items of concern. I met with Mr. Nir at the Agency on a Saturday, I recall, and I met with Mr. Nir just before he left.

Q And he also met with Poindexter and North, to your knowledge -- or do you know that?

A I don't know. I know he met with Colonel North, but I don't know if he met with Admiral Poindexter.

[redacted]

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[redacted]

Q Did you meet with North and Nir at the same time?

A Yes.

Q Where would that meeting have taken place?

A That was at CIA headquarters.

Q Anyone else present for the meeting?

A Yes. Mr. Cave and Major General Secord, Lieutenant Colonel Robert Earl. Mr. Clarridge was present part of the time, but just to say hello; he didn't sit in on the meeting. And I can't recall whether -- there may have been someone else from the NE Division there, but I can't recall at this stage.

Q Can you give me a synopsis of what you recall about what happened at that meeting?

A It was an unusual meeting, I thought, bizarre in the sense that Colonel North was there and we were going through trying to supply the remaining HAWK spare missile parts using the first channel. We spent two or three hours that morning talking about the first channel as if it was still operational.

I found that unusual, but I was asked by Colonel North to come to the meeting so that any data relating to the shipment I would have [redacted] So we spent a couple hours

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that morning.

Q Nir was not witting, as you all like to say, of the second channel at that point?

A I think he probably was, but I don't know that he was officially witting because toward the end of the morning he raised some questions which implied that he was aware that other contacts were occurring by the United States with Iran, and he was asking probing questions.

Q Was he getting answers?

A Not from me.

Q How about from Colonel North?

A I don't think Colonel North was all that forthcoming at that stage. I think there was an effort to deflect the questions.

Q The morning was focused primarily on delivering the remaining HAWK goods through Ghorbanifar; is that correct?

A That's correct -- pricing the individual parts. And Colonel Earl was sitting there writing out the costs of the parts and costs of packaging and costs General Secord had for transporting. General Secord had charged a healthy price on this.

Q And that's what he was telling you about. With regard to these pricing discussions, were these

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prices that were going to be charged Ghorbanifar or the prices that were going to be charge somebody else?

A These were the prices that would go from the DOD and CIA to the NSC. I didn't see any of the ultimate price that would be charged to Mr. Ghorbanifar.

Q Did that issue come up?

A No, sir, not to my recollection -- not to my recollection at all. But someone had to know, because Mr. Ghorbanifar had to raise a certain amount of money.

Q You didn't bring it up. You all had just gone through two months of pricing difficulties over HAWK parts. Nobody talked about the problems that you'd been living with for two months at this meeting?

A There was some discussion of it. Mr. Nir raised it.

Q Do you recall what he said in that regard?

A Only that he felt that there were some problems that couldn't be explained and that he thought Mr. Ghorbanifar was being relatively straightforward. As you know, in my final conversation with him before he caught the plane at the airport he went again through the pricing where he expressed concern over pricing.

Q But that was you and he together, right?

A No one else was present.

Q In this group session, though, there was no --

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I mean, you know, Nir didn't look somebody in the eye and say what on earth are you people doing?

A Not quite like that, no. But there were concerns, and he felt that Mr. Ghorbanifar was relaying the guidance that was being passed by Colonel North rather faithfully. You know, we went out. We couldn't get all these parts. We had to go back to start up the manufacturing line or we had to go out to six different countries to get them back out of their inventories.

You know, there were some fairly elaborate stories that were told by Mr. Ghorbanifar to his interlocutors in Tehran [redacted]

Q These were stories that I assume George Cave was feeding to Ghorbanifar at the instruction of Ollie North.

A No, sir. I don't think Mr. Cave was involved in this. I think Mr. North was talking to Mr. Nir, and Mr. Nir was talking to Mr. Ghorbanifar. You've got to remember my earlier comment that Mr. Ghorbanifar and Mr. Cave did not talk directly after Mr. Ghorbanifar found that Mr. Cave, in June or July, was in direct contact with his interlocutor in Tehran.

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Q So your picture of what's going on at this period of time is that in terms of setting up the sales pitch, if you will, to Ghorbanifar to pass through to the Iranians it would go North to Nir to Ghorbanifar? That was the connection?

A Yes, sir. I was told by Colonel North, though, that if Mr. Ghorbanifar called he gave me some cover stories of the great difficulty in getting these and that the microfiche was the manufacturer's price, it wasn't the wholesale price, that you had to add all these additional costs on if you try to get it through, say, covert means, that one should expect to pay a very hefty increase over the base price.

Q Well, if he goes that far, we've talked about fake microfiches of August 13. Now we've got this rather interesting collection of stories of things that didn't happen. By September 10 everybody in that room must have known that there was an enormous spread between what was being paid CIA to DOD and what was being charged to Ghorbanifar.

A I can't speak for the other people. I was aware, and I found the meeting unusual, that there was clearly two or three hours of discussion with Mr. Nir, this very senior Israeli, there as if we were continuing with the initial channel of Ghorbanifar. I went away

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from the meeting ill at ease because of that.

Q Was [redacted] at this meeting, do you remember?

A I can't recall. There was someone else, I think, from the NE Division there. I just can't recall. Maybe [redacted] was there; I don't know. I'm sure the record will show, and I'm sure you can find that out.

Q Apart from the activities you discussed in the first part of the day, is there anything else you remember about that meeting?

A I think [redacted] was there because he's the one that was working on the logistics.

Q Apart from the first channel aspect was there anything else that was discussed with Nir that you recall in that group session?

A [redacted] But it was an interesting session. We mostly talked about the remaining HAWK parts, the price. [redacted]

Q Was there simply one other meeting you had

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with Nir? Did you meet with him --

A Well, I met with him with a group once or twice when we had [redacted] discussions. He asked me to stop by and see him before he left or to meet me. I guess he was staying at the Key Bridge Marriott. He called and said why don't you just come by. I've got to leave in a matter of an hour or so to catch the plane back to Tel Aviv, and I just want to talk over some matters. And somewhere there should be some notes on my conversation with Mr. Nir.

We just met and had a beer in the lounge and he went over the pricing again, over the pricing impasse that had occurred in June, July and August.

Q I haven't been able to locate a piece of paper that looks quite like that, although I've got a couple that refer to Nir.

A Certainly there should be notes on this somewhere. I don't know. I remember writing down the notes, saving them, and I'm sure they were turned in. But the Independent Counsel took those away so I haven't been able to look at these things.

Q If you would mark this as Exhibit 70 --

(The document referred to was marked Allen Exhibit Number 70 for identification.)

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And this will be Exhibit 71.

(The document referred to was marked Allen Exhibit Number 71 for identification.)

(Pause.)

A I know what this is.

Q Exhibit 70?

A Yes, sir, Exhibit 70.

[redacted] Mr. Nir stated that he had to meet directly with Mr. Casey with no one else present other than myself, and could I not slip him out of the room.

[redacted] Mr. Nir wanted to discuss the Iranian initiative with Mr. Casey [redacted]

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And that did occur and these were the notes of that conversation. I thought about doing a memorandum for the record and I should have, but I just kept the notes as sort of a record of what we discussed.

Q So these notes would have been done about September 10; is that right?

A Yes. I'd say 11, 12, something like that.

Q But on the September 10, 11, 12 trip Nir made into the States?

A Yes, and it was a long conversation. It went on for probably 30 minutes, a full 30 minutes. Mr. Casey was quite taken by Mr. Nir, by his intellectual vigor, his ideas, and Mr. Casey talked to me afterwards about what a remarkable individual Nir was, which is true. He is a remarkable individual.

Q If you would take a look at Exhibit 71 and identify that.

(Pause.)

A I can't put a precise time frame on this, but this must be -- I see a date 30 September 86 written there, but I think this was earlier. I think this must have been in the summer because that was when they checked out these HAWK spare parts that were, I guess, the rest of the HAWK spare parts that were delivered. I guess they were delivered in August.

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Q They were delivered early August.

A That 65 items were not working. It could be August-September. But this was Mr. Nir talking about the pressure that Mr. Ghorbanifar was under, that he was not making money. Yeah, this had to be in September because he said let him know when the package was put together -- that is, the package of the remaining HAWK spare parts that we discussed at what I thought was a fairly artificial meeting in September.

He said, you know, please call me when all these items are put together, when the logistics people have gotten it all done. And he said the Australian -- that is, the senior official [redacted] -- would not come out, that [redacted] was in trouble.

So this would be in the September time frame after he was here, after we went through this artifice of having a meeting ostensibly to continue channel one, when clearly no one had any faith that we were continuing it. But we went through this charade. At least I never had any faith. And Mr. Nir kept calling and saying when is the package going to be ready.

MR. WOODCOCK: Why was Secord at that meeting? What was his role?

THE WITNESS: He was giving the prices. He

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gave some pricing that he had for charging the flying of the additional HAWK spare parts into, I guess it was -- I believe it was HAWK spare parts and also TOW missiles were involved at that stage -- what would be his rates for leasing his aircraft. And he gave a figure that one aircraft he charged $193,000. I remember that figure; that stuck in my mind, which is a little higher than MAC rates.

BY MR. KERR: (Resuming)

Q The dollar figures that are listed in this document that have the September date, do they mean anything to you at all -- Ghorbanifar's $13 million to Nir, for example? Does that mean anything to you?

A No. There are so many figures thrown around.

Q [redacted] I assume that's $13 million to Nir.

A Clearly he was saying that Ghorbanifar was about $12 million under. According to my calculations at that stage he was probably $10 million under, perhaps, that he owed creditors that much. Because then later I found out from Mr. Furmark what Mr. Furmark said the situation was. And I assumed that was the truth.

I can't offer any explanations of what that meant. I wish I could.

Q Let me just touch on a couple of other documents in September. We said that the second channel

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came in the 19th to the 21st of September.

A That's correct.

Q This document C-09340, which will be Exhibit 72, was in your files. Can you tell me what it is?

(The document referred to was marked Allen Exhibit Number 72 for identification.)

A This is something Mr. Cave drew up. It's not my document; it's Mr. Cave's document. I believe it's Mr. Cave's document, at least Mr. Cave obtained it. He tended to just throw his files in with mine, as you probably have gathered.

Q The handwriting at the bottom is Cave's?

A Yes, that's Mr. Cave's, I believe. These were the seven points arrived at during the 19-20 September meeting in Washington, and that's when the Iranians came in and proposed a joint commission and also they requested intelligence [redacted] I recall that.

This was Mr. Cave's understanding of what happened, the seven points that they agreed to at that time.

Q And the "they" would be the Iranian representatives?

A The Iranian representatives at the 19-21

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September meetings [redacted]

MR. WOODCOCK: Did Mr. Cave tell you at that time that the Iranians were looking for a meeting with someone as high as the Under Secretary of State?

THE WITNESS: I don't recall. I don't recall. I don't recall that he explicitly said that. He talked about a joint commission.

MR. WOODCOCK: Do you recall during this period of time -- this would be in the September 19-20 and immediately thereafter -- Mr. Cave saying that it was important at this juncture to bring the State Department into the effort?

THE WITNESS: Yes. I recall some conversation along those lines.

MR. WOODCOCK: Do you recall what his reasoning was at that point?

THE WITNESS: I think he felt if we moved towards a broader relationship -- he was quite excited after this meeting had occurred, and I stayed in touch with him, I guess, over the weekend or early the next week -- he was quite excited about what he saw was real progress.

And we had reached a point where they were talking about joint commissions, one to look at economic relations, one to look at political relations, one to

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look at other areas, and I can't remember all of them -- maybe intelligence, military issues, the need that we could no longer deny -- that is, the White House should no longer deny direct participation by the Department of State, something along those lines, yes.

And I agreed with him that we had reached a point, and it was no secret in the Department of State there were a number of officials in the Department of State that were aware of this initiative.

MR. WOODCOCK: That you knew of who were aware of it?

THE WITNESS: Well, I knew Mr. Oakley was aware of the initiative. He didn't have the details, but he was aware that it was under way. And I think there were probably others. Mr. Armacost certainly was not totally unaware of this. Mr. Oakley told me there were 13 officials at State that were aware of this initiative. He told me that in the presence of Mr. Carlucci in January '87.

BY MR. KERR: (Resuming)

Q Let's move on. October 1, 1986, you have your meeting with Gates in which you express concern about the Iran initiative, operational security, that sort of thing. At that meeting with Gates, who was there -- just yourself and Mr. Gates?

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A Yes.

Q If you could give us a summary of what you said to Gates and what he said to you on October 1, 1986.

A Yes, sir. I went up to discuss the new channel with Mr. Gates and to brief him on it. [redacted] I told him that the new channel, I didn't have any sense of confidence at that stage in the new channel. I said other people were quite impressed by the results of the 19-20 September meetings.

I went over the original channel and my whole concern of the operational security as an intelligence officer. I went through all the reasons why this thing seemed to be going off the rails, that we were reaching some very serious decision points, that the first channel had not been satisfied, and that millions of dollars were owed to creditors.

I said that this was going to be quite a disaster. I said there is a pricing impasse that has occurred and it's been going on -- and he, I think, had some general awareness of this, not any detailed awareness -- and that I feared that this issue would blow up.

And also at the end of the conversation I said

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I can't prove it, but based just on the indicators I've come sort of an analytical judgment that money was perhaps being diverted to the contras, that the pricing impasse has occurred because the United States, believe it or not, was actually overcharging the middlemen involved in these transactions.

And I remember he was very startled at this. He started to laugh because it sounded absurd, but then he became very serious and said, well, that would be a very serious thing. Operationally you can't commingle two operations. You can't commingle this operation with our duties in Central America, that this was very serious, that in the past he had admired Colonel North because of his work in crisis management and things of this nature, but that this was going too far, and asked that I see the Director.

Q So he told you that he wanted you to see Director Casey?

A Yes, sir.

Q And he appeared to you to be genuinely surprised by the information you were conveying to him?

A I'm absolutely certain he was surprised, that this thought had never reached his mind and no one had ever suggested it previous to my raising it.

Q October 5 through 7, '86, North, Cave, Secord

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meet the second channel in Frankfort. You were aware that that was happening?

A Yes, sir. We collected intelligence on that meeting. And I guess we took the intelligence over and provided it to them, to the Iranians, at that meeting, and we taped the meeting. Our technicians taped the meeting. I obtained the tapes when they came back. [redacted] You all have a set of those transcripts.

Q Now we have another Cave memo. It's Exhibit 73.

(The document referred to was marked Allen Exhibit Number 73 for identification.)

You were not in Frankfort for the meeting; is that correct?

A Not at all.

Q Cave was at that meeting?

A Yes, he was there -- Mr. Cave, Mr. North, General Secord, Mr. Hakim were there.

Q And did Cave give you a briefing when he came back on what had transpired at the meeting?

A Yes.

Q And he also brought this collection of nine points back to you, I take it.

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A I don't remember seeing them at the time. I don't know that he even showed them to me at that time. We talked generally about the meeting. I don't recall seeing the nine points until later.

Q When do you recall seeing the nine points?

A I really don't recall seeing the nine points until sometime in December of '86, after the diversion had been determined by the Attorney General.

Q Do you have any knowledge on how these nine points were arrived at, who the decisionmaker was on the American side?

A I don't know.

Q Cave didn't tell you that?

A He didn't tell me that. It was my impression that they were drawn up in mutual discussions with the Iranians. I didn't see this. I saw it later, in the December time frame. You know, it could well have been in my files and I had not read it. Mr. Cave just put folders in a little safe I had.

Q Let's move on to the Furmark aspect of things. Furmark has testified that he saw Director Casey on October 7. It's my understanding that you and Mr. Gates also saw Mr. Casey on October 7 and Casey has said that he talked to Poindexter on October 7. So a lot of things were going on. I don't know if there is any relationship

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between all of them or not.

Let's start with your meeting and Gates' meeting with Casey. Do you recall that you met with Casey?

A Very distinctly.

Q And what was the purpose of that meeting?

A It was to inform him of the operational security aspects of this initiative and the fact that this program was spinning out of control and to tell him also of the potential -- just sheer speculation at that point; we had no evidence -- that money might have been diverted to the contras in Central America.

I remember raising that and Mr. Gates chiming in behind me, saying yes, that Charlie had raised this issue with him and that this was an issue of real concern if there was any truth in it.

Q Now on that score how did Casey react to that? Did he seem surprised or he had heard it someplace before?

A He seemed very surprised. He said he had just had a call from Mr. Furmark. Mr. Furmark had come down and had talked about some of the problems relating to the initiative. And he said yes, there's a real security issue involved here, and he asked me. At that stage I said all this troubles me greatly, and he directed that I

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prepare a memorandum that would lay out the concerns and he said that he had talked to Admiral Poindexter after Mr. Furmark.

Q What did he say he was talking to Mr. Poindexter about?

A About the initiative, about the fact that he had done a memorandum for the record which he had sent to the Chief of the Near East Division. And I went down and obtained, I think, a copy from a member -- maybe [redacted] I got a copy from [redacted] of the memorandum he had written. And he said that Mr. Casey expressed real concern that this thing was indeed coming apart and coming apart very rapidly.

Q So Casey said he had sent a memo to the Chief of the Near East Division?

A That's correct.

Q Did he tell you what instructions, if any, he had given to Near East?

A No.

Q Did they have a role in this matter, as far as you were aware?

A He didn't say that he wanted them to take any action. He asked me -- he just mentioned Mr. Furmark was an old friend at that stage. He was a man with whom he had done business ten or so years ago, that he had not

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seen Mr. Furmark in five or six years, and that he thought Mr. Furmark was a very straightforward, reliable man. That's what he said, sir.

Q I understand. Let me show you the October 8 memo, which will be Exhibit 74.

(The document referred to was marked Allen Exhibit Number 74 for identification.)

A Yes, I have read this memorandum.

Q And that is the memo that you got a copy of from the Near East Division?

A Yes, sir.

Q The way that's written, it looks like it's written addressed to [redacted]

A That's correct. [redacted] was Chief of the Division at that time.

Q Did you and [redacted] discuss this matter at this time?

A I don't recall discussing it with [redacted] I may have. I wouldn't be surprised but what I discussed it. I know that [redacted] was also becoming concerned over the security of the program in the fall of '86.

Q Now apart from the security breach aspect of things and what Furmark might or might not portend for that, I gather from what you've just told me that you

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laid out for Casey the possibility that there had been a fund of money created by the way pricing had been done on these transactions; is that right?

A I didn't belabor the point, but I said that I believed that there had been perhaps overcharging of the Iranians in order to secure money to support the contras in Central America.

Q Let me just stop you for a second on that point. Your impression was Casey was also surprised to hear that or not?

A He expressed surprise, that he had not heard of this. And Mr. Gates, I know, made a comment or two at that stage, stating the seriousness of the issue, and this would certainly be -- again, I think he talked about his admiration for Colonel North as a man that gets things done, but that this was going too far, if this was true.

And I didn't have any evidence of this fact.

Q Was it your impression that Casey had spoken to Poindexter before you all met with him that day?

A Absolutely, before we met with him that he had already talked with Admiral Poindexter after having met with Mr. Furmark.

Q And what he was conveying to Poindexter was the concerns that he had that Furmark had related?

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A . That there was a real problem in the repayment of the creditors and that Adnan Khashoggi was a creditor, and that he had borrowed money from some Canadians and that this was a very serious issue. And I can't recall exactly what he said Admiral Poindexter's response was. I don't precisely recall, although at some point -- and it may have been when I met with Mr. Casey after meeting with Mr. Furmark -- after I had prepared the memorandum and he had showed it to Admiral Poindexter, at some point -- and it's in the Tower Commission report and right now my recollection is a little fuzzy -- but Mr. Casey said you've got to get the White House counsel involved, and Admiral Poindexter said I don't know that I can trust the White House counsel.

I recall Mr. Casey telling me that.

Q At the time you were meeting with Casey after he had had his telephone conversation with Poindexter, did he indicate to you all that he had heard from Furmark about the possibility of funds being diverted?

A He did not indicate that. He did not add to my comments and Mr. Gates' comments, Mr. Gates simply echoing what I had said about the possible diversion.

Q Let me show you another set of notes dated October 9, 1986, which will be Exhibit 75, and ask you to identify them for me, please.

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(The document referred to was marked Allen Exhibit Number 75 for identification.)

(Pause.)

A Yes. This is a call from Mr. Nir.

Q And that call you would have gotten from Nir the 9th of October?

A Absolutely. I recall the call.

Q And the purpose of the call, as you recollect it, is what?

A The purpose is to just say the situation is very bad relating to Mr. Ghorbanifar, the financing -- his finances, repayment of creditors -- and a warning, in essence, a very serious warning that Mr. Ghorbanifar is a man who is not easily reckoned with, that he will take his revenge, that he will not stand in awe of the United States, that he believed he had been hurt and that his whole financial status, his legal status, was in question and that something had to be done. It was a rather serious call.

Q Did you pass that message on to Casey?

A I don't know that I passed it specifically, but I passed the message on that yes, this whole situation was really out of control.

Q Had North been apprised as of October 9 of

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these concerns and the Furmark visit?

A I don't know whether Mr. Casey discussed it with Colonel North or not. He never told me.

Q You hadn't had such discussions with North as of October 9?

A No, sir. I later talked about the meeting with Mr. Furmark to Colonel North.

Q Later in October?

A Yes, absolutely. After I met with him on the 16th I talked to Colonel North. And after I went up on the 24th I told Colonel North, and I think Mr. Cave also talked about the meeting on I guess it was actually the 22nd, the night of the 22nd. And I believe I was getting ready to go on a quick trip to Europe and Mr. Cave talked to Colonel North on the 23rd about Mr. Furmark.

But I told Colonel North after I met with Mr. Furmark on the 16th, and Colonel North said well, he wasn't certain this was a man we could really trust and for me to take that into consideration, that he had his own agenda involved and I should not take him at face value. He was very emphatic.

Q Did North give you any indication of what he was planning to do to take care of Mr. Ghorbanifar?

A Well, he had said more than once that some effort would be made to get him involved in other

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projects, that the second channel would find ways to get him involved. Mr. Hakim had told me in the only meeting I ever had with Mr. Hakim that Mr. Ghorbanifar would be "bought off".

Q When did Hakim have this meeting with you?

A There's a memorandum for the record on that. I think -- I don't know. It was September or October. You have the record of the conversation.

Q I would have shown it to you if I had it.

A I have inundated you with documents here.

Q That one got by me. What can I tell you?

A Well, it exists.

Q This was a meeting of just you and Hakim? Who else was present?

A Mr. Secord was present for a brief period. Mr. Hakim flew into town. Major General Secord called and said that Mr. Hakim wanted to talk to me [redacted]

And I raised the whole subject with Mr. Hakim of Ghorbanifar. What are you going to do about it? And he said we'll buy him off.

Q Did he give you any indication of what resources they were going to use to buy him off and what

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the price would be?

A No. But by then I had -- my instincts were telling me that there was a reserve, there were funds, there were bank accounts somewhere. I didn't want to accuse Mr. Hakim since I had just met him. I just took that data in and it's in the memorandum for the record.

Q I'll track it down.

A It exists.

Q I have no doubt about that, Mr. Allen. I'll talk to the computer and see if they can locate it for me.

The Director and Mr. Gates had lunch with Lieutenant Colonel North on October 10. Were you aware that they were having that lunch? Did you receive a report after it?

A No, I didn't know they had it.

Q So no one told you what transpired at that meeting?

A No. I did not know that that meeting existed. I may have known Colonel North was in the building, but I didn't know that they had lunch.

Q Neither the Director nor the Deputy Director gave you any description of what had happened at the meeting, the questions they had asked, anything of that kind?

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A No, sir, not at that time. After the 25th of November, I believe -- no, I'm sorry. After the exposure of the initiative I believe Mr. Gates mentioned it to me. No, it was after November 25. Mr. Gates discussed that with me and the fact that he had done a memorandum for the record. And he showed me the memorandum for the record when he discussed it with me.

Q Now you prepared a memo for the Director and Deputy Director on concerns that you had about the Iran initiative.

A Yes.

Q Which is dated October 14, and that will be Exhibit 76.

(The document referred to was marked Allen Exhibit Number 76 for identification.)

A Um-hum.

Q That is your memo?

A Yes.

Q That memo was presented by you at a meeting that you and Gates and Casey had on the 14th?

A No, sir. I took it, the original, to Mr. Gates' office, Eyes Only, to his secretary on the morning of the 15th and I said I have a very exceedingly sensitive memorandum. I said I didn't want to give it

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directly to Mr. Casey because I wasn't certain what he would do with it. I wanted Mr. Gates to look at it carefully first and decide what to do with it.

I said Mr. Casey might go down and just hand it to someone at the White House straight away, and I said there's a lot of potentially explosive material in this memorandum, and I kept calling. And then I found out later, on the 16th, I was called in by Mr. Casey and Mr. Gates and they said that not only had they read the memorandum on the 15th, that Gates had taken the original in, and Mr. Casey and Mr. Gates had called Admiral Poindexter immediately after reading it and set up a meeting.

They took it down and not only let Admiral Poindexter read it, but they gave it to him. And I said, oh, my God. If I'm wrong in this, Colonel North will never speak to me again. And he says, well, we don't think it's that kind of memorandum to find fault. We think it was a good memorandum.

They said Admiral Poindexter read it very carefully, asked who wrote it. They told him that I wrote it and Admiral Poindexter said he would study it. And that was on the morning of the 16th, I guess.

Q All right. So the memo was not discussed in your presence with Gates and Casey; correct?

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A No, sir. I gave it to Gates because I thought maybe I had gone too far in just totally condemning the initiative in essence.

Q And you were not present at the meeting with Poindexter?

A No, sir, I was not.

Q Did you ever have occasion to discuss this memo with Poindexter?

A No, sir, I never did. Never had the opportunity. I never received any indication from him or from Colonel North. I don't know that Colonel North ever read the memorandum. I suspect he did, but he never told me he did.

Q You did meet with Furmark on the 16th; isn't that right?

A Yes. When we met on the morning of the 16th in the Director's suite with Mr. Gates present he said I think it's essential you talk to Mr. Furmark. I'll call him. And I said well, okay, I'll go to New York and Mr. Casey said no. You're busy. Why don't you just have Mr. Furmark come down here?

Well, that turned out to be an unfortunate decision, I think, because Mr. Furmark came down. He got delayed in transit and it ended up we had only about 45 minutes of discussion. I met with him in Mr. Casey's

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office in the Executive Office Building, and Mr. Casey invited Mr. Furmark to fly back with him to New York on the Director's plane, and Mr. Furmark did that.

So I wrote up the memorandum, which again said that this only reinforced all my worries, concerns, fears, but I didn't have enough time to talk to him, to Mr. Furmark. And I told Mr. Casey it was absolutely essentially I get right back with Mr. Furmark, but unfortunately I didn't see him for, I guess, a week -- almost a week, for six days.

Q Let me just show you a couple of pieces of paper from this time period. We have what appears to be an October 16, 1986, set of notes, one of which in the middle seems to refer to a conversation you had with the Director about Furmark.

(The document referred to was marked Allen Exhibit Number 77 for identification.)

A Yes. This was clearly the morning of the 16th, I guess, when Mr. Gates and Mr. Casey and I were together. I was called up by Mr. Casey, walked in. Mr. Gates was there. That's when they started talking about what had happened with my memorandum. And he again talked about -- I wrote down Fred Furmark, but it was Roy Furmark.

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He said he was a patriot, that he did have business relationships with Mr. Khashoggi. It turned out that he was in at the beginning of the Iranian initiative. And that he had Khashoggi raise the money. Mr. Casey said he thought Khashoggi was essentially politically well disposed towards the United States.

Q Did Casey indicate that he had talked to Furmark in addition to the initial contact of October 7-October 8?

A I don't know that he said he had talked to Mr. Furmark again, but he had called Mr. Furmark while I was there and set up the meeting. He couldn't get through to Mr. Furmark immediately, but Mr. Casey called me back later in my office, when I was back in my office, and said that Mr. Furmark will meet you at such and such a time and why don't you use my office down at the Executive Office Building.

So that's what we did. But it turned out that Mr. Furmark had several hours of information to tell me and I tried to squeeze it in to 45 minutes.

Q And it was just you and Furmark; is that right?

A That is absolutely correct.

Q And what resulted from that meeting was your October 17, 1986, memo? And that will be Exhibit 78.

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(The document referred to was marked Allen Exhibit Number 78 for identification.)

A That's correct.

Q Now did you ever get a report from Casey on what he and Furmark had talked about on that airplane ride?

A No, sir. He never mentioned the substance of that airplane ride.

Q All right. We have another reference to Furmark that appears to be dated on or about October 22, 1986. Let me show it to you. This will be Exhibit 79.

(The document referred to was marked Allen Exhibit Number 79 for identification.)

A I think this must have been when I came back, around the 22nd -- around the 23rd.

Q That assessment of Furmark, was that yours or Casey's?

A No, that was Mr. Casey's. And we briefed, Mr. Cave and I briefed Mr. Furmark at 9:00 -- Mr. Cave and I briefed Mr. Casey on our conversations with Mr. Furmark at 9:00 on 23 October 1986.

Q Okay. We'll move right along here. Let me show you another set of notes which is headed Roy

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Furmark/New York, date of birth 9/28/31. That will be Exhibit 80.

(The document referred to was marked Allen Exhibit Number 80 for identification.)

(Pause.)

If you could identify those notes?

A Those are the notes -- I believe those are the notes I took on the 16th of October.

Q These would have been the notes you would have taken when you were meeting with Furmark at the EOB?

A That's correct, sir. Yes, I would say that this is absolutely the case.

Q Okay, good. Thank you.

Let me show you notes that are dated October 22, 1986, and I think these are probably your notes on the meeting you and Cave had with Furmark up in New York.

(The document referred to was marked Allen Exhibit Number 81 for identification.)

A That's correct. I jotted down some notes at dinner using the notepad of the Roosevelt Hotel, and those are the notes, as I recall them -- as I recorded them at that time, rather. And then Mr. Cave used these notes to put together the memorandum that was sent to

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Mr. Casey:

And that's when Mr. Furmark stated that Ghorbanifar believed that the $15 million went to Nicaragua and Mr. Ghorbanifar was relieved when $100 million was passed by the Congress.

Q So the first time that you were advised or heard that Furmark believed there had been a diversion was at this October 22 meeting; is that right?

A That, to the best of my recollection, is the case. I do not believe he mentioned that on the 16th of October; otherwise I would have recorded it. It came as no great surprise to me that he would assert that on the 22nd.

Q Now there are references in these notes to Cyrus Hashemi. Do you recall being told by Furmark that he was aware that Hashemi had been involved in an effort in the summer of 1985 to begin the Iranian initiative?

A I recall something along those lines, that he claims that Cyrus Hashemi was involved at some point and knew Ghorbanifar. I don't recall the details of that. And when I met with Mr. Furmark, I guess around November 7, he also mentioned, just as he left to catch a plane, something about Cyrus Hashemi being involved.

And he said that of course Cyrus Hashemi was not a trustworthy individual and look what happened to

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him. And I said I knew he died but beyond that I don't know.

Q Specifically the reference that I clipped talks about Hashemi and what he was offering back in '85, that he would deliver the hostages if his indictment was lifted.

A That's right.

Q And that then in August of 1985 Khashoggi and Hashemi and company parted ways. When those references were made, did that refresh your recollection of knowledge that you would have had from a year previously about this contact?

A No. I knew nothing about Hashemi being involved in anything in 1985, at least I don't recall any knowledge.

Q Did Casey at any point relate to you the fact that he had been contacted by Hashemi in July of 1985?

A I think he mentioned it to me when we were trying to reconstruct the chronology, that there was a man named John Shaheen and Cyrus Hashemi was involved, yes. He recounted all of that to me in his suite of what was occurring in the summer of '85, but that was my first detailed knowledge of that.

Q That conversation with Casey would have taken place after October 22?

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A Yes. That would have been sometime in November or early December when we were trying to reconstruct what really had happened over the last couple of years.

Q Did you ever have occasion to find out what [redacted] role in the Hashemi initiative had been?

A No. I don't know what his role was.

Q You never discussed that?

A I've never discussed that with [redacted]

Q In terms of the October 22 meeting, Cave prepared a memorandum for Poindexter on that meeting.

(The document referred to was marked Allen Exhibit Number 82 for identification.)

A We discussed that on the morning of the 23rd about we needed -- that this was incredibly sensitive. We needed perhaps to compose only one copy, an original and a copy, and that we would keep the copy in my office. And the Director says prepare the memorandum to Poindexter for my signature.

And that's what occurred. [redacted] and I gave my notes to Mr. Cave, and I certainly support the substance that's in this memorandum.

Q Now you also met again with Mr. Furmark in

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early November, on November 6.

A That's correct.

Q What caused you to have that meeting?

A He called and said it's urgent that I see you. I want to fly down and talk to you briefly about the situation. He said it's getting totally out of hand. I said fine, I'll be happy to talk to you. And I met him at the Key Bridge Marriott, listened to what he had to say.

He at this stage named the Canadians, allegedly the Canadians involved in pressuring Khashoggi on the matter. He spoke about the urgent need to do something to salvage the situation. He brought along a headline that indicated that the U.S. Government had contact with Iran. This was after the article had appeared in Al-Shiraa on November 3.

I listened to all of this. I recorded this in a memorandum that you have. At that stage it just seemed to me not all that significant because the whole thing, the boil was going to be lanced very quickly.

Q Let me show you what appear to be your notes, November 6, 1986, which will be Exhibit 83.

(The document referred to was marked Allen Exhibit Number 83 for identification.)

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(Pause.)

A Those are my notes from the meeting with Mr. Furmark. It was in the afternoon of November 6.

Q There are a couple of things I wanted to talk to you about there. In paragraph III, I guess it is -- IV, excuse me -- there is a reference to the Canadians, $10 million, and it says "pay $10 million into G's account." And then what appears to be the account number is listed.

A That's correct.

Q In terms of what Furmark was telling you, was he telling you that the price for Mr. Ghorbanifar was $10 million?

A I think he was saying that a way to salvage this is to, without suggesting how the money would be raised, what would be the source of the money, that the way to salvage this situation that Ghorbanifar's Swiss bank account had been blocked, this was the number, that if the money was paid into this number at Credit Suisse that the money would go to the people to whom money was owed, and somehow somebody should do this straight away.

I just simply wrote that down as fact. I think I recorded at least -- I think it's recorded in the memorandum for the record. He laid it straight out.

Q So essentially what Furmark was suggesting was

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that the price of silence was $10 million into this account?

A I think he was implying it, in all candor.

Q He went into some detail, apparently, with regard to the diversion of money. You all discussed this as set out in your typewritten memo.

A Yes. He talked about there was a diversion.

Q In terms of the proprietary that was being used, your notes reflect Lakeside. The earlier note from Casey had used Lake, I believe. Lakeside was the name of the proprietary given to you by Mr. Furmark; is that what was happening?

A Yes. But I think he was wrong. I think it's Lake Resources, based on what I've learned since. He had the name incorrect, and he kept repeatedly misstating the name.

Q You've got a note here. He described Miller as being from Toronto, real sleazy and corrupt. Did he tell you anything that caused him to reach those conclusions, what facts he was relying upon?

A No, he didn't, but that was his description -- that this individual was a very difficult individual, as I recall. But he didn't offer any rationale.

Q Did he indicate to you that he had met them?

A It was my impression that he had, that they

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were associates and they had been associated in business transactions with Adnan Khashoggi and that he had had contact, directly or indirectly, with them. He implied he knew who they were and that they were not the most pleasant types, yes. I would say that he implied he knew them.

Q Why don't I show you Exhibit 84, which is your memo of November 7? If you will just identify it and we'll pass it along.

(The document referred to was marked Allen Exhibit Number 84 for identification.)

A That's a memorandum that I prepared on the 7th after meeting Mr. Furmark on the 6th of November, 1986.

Q And that memo is based on the notes we just saw as Exhibit 83?

A Absolutely, and no one ever gave me any reaction to the memorandum. I sent it to Mr. Gates and to Mr. Casey.

Q Let me show you one other memorandum that's dated November 3, 1986, regarding the Frankfort meetings that were going on at that period of time. That would be Exhibit 85.

(The document referred to was marked Allen Exhibit Number 85

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for identification.)

Can you tell me why that memo was prepared by you?

A It was not prepared by me.

Q Okay, sorry.

A It was prepared by Mr. Cave, I believe, and my secretary, in typing it up, accidentally put my name on it.

Q So that's not your work product?

A No, sir.

Q My understanding is you were not at those meetings, correct?

A That is absolutely correct. It's an interesting memorandum, but I am not the author.

Q Now after the November 6 meeting with Furmark did you have occasion to meet with him again?

A No, sir.

Q Did you have occasion to talk to him again?

A Yes.

Q When?

A He called me for some reason in late February or early March of '87, after the publication of the Tower Commission.

Q Do you have any recall of what he discussed with you?

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A It was some complaint that he had in the memorandum that was prepared by Mr. Cave following our meeting on the 22nd of October, where there's some -- I need to have that memorandum back, but there was some allegation in there that bothered him. He said it wasn't true and he could not understand why that was included.

He said, I believe, in paragraph four that with regard to this deal the financiers, Ghorbanifar and Nir met and agreed that $3 million would be added to the price to cover profit and expenses and also another $2 million would be added to cover monies owed to Mr. Nir. And he claimed he never made this statement about the $2 million and he wanted to know how to correct the record.

I said why don't you write Senator Tower?

Q We have one other document I need a little help with. It has DCI 20 November 86 written on it. I'd like you to look at it and tell me if you can place this document in time. I am primarily interested in the materials that appear on the bottom half of the page.

(The document referred to was marked Allen Exhibit Number 86 for identification.)

(Pause.)

A This was about the time, I guess, Mr. Casey was preparing to give his testimony before the House and

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Senate Select Committees on Intelligence.

Q I believe that occurred about the 21st.

A I was with Mr. Casey that day. I was called unexpectedly by Mr. Secord that day, who said that he had personally spoken [redacted] He went to see him on Sunday, whenever Sunday was, prior to, say, the 20th of November, and that [redacted] was supportive of the United States' efforts to reestablish some contact with Iran, and that [redacted] endorsed the methods and the objectives of the initiative.

It seemed to me -- and why General Secord called me, I don't know, except that he clearly wanted to say that he was trying to salvage something that seemed to me at that stage hardly salvageable. And I wrote it down.

Q Did he give you any further reason on why he thought anybody would be interested in [redacted] rooting for the initiative at that point?

A Well, it was the belief, I think, even at that stage that the second channel was so good it should be kept open at all costs and that the Department of State and others were trying to shut it down, and he thought that was wrong, given the labors of the past 14 or 15 months.

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Q I have run past the allotted time. I just wanted to ask you a couple more questions to clear things out in terms of the testimony that was prepared for Director Casey.

Casey flies in from Central America.

A Yes.

Q And begins the process of trying to prepare for his testimony. What role did you play in either directly preparing Casey or reviewing the materials that were utilized for his testimony?

A I, along with other senior officials, participated in the review of some of the drafting that was done. Mr. McCullough, [redacted] of the Directorate of Operations who worked in the front office, and others started preparing some of the basic drafts. That particular week that he was to testify, we had a meeting, I guess, and I forget who chaired the meeting, a preliminary meeting earlier in the week to start pulling together all the data because we had the Inspector General, we had the General Counsel, we had several people trying to pull together chronologies.

I was being asked by [redacted] and others to contribute to chronologies, Mr. McCullough [redacted] I did that. So I was pulling together, adding to chronologies, looking at the testimony. We had

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a meeting, I believe -- and perhaps Mr. Gates chaired the meeting -- to set the stage for preparing the testimony. And then Mr. Casey chaired a meeting, I guess it was on Thursday night before he went up on Friday, where he met with about 20 of his top officials -- I, among others, was there -- who had had some knowledge or part in the initiative.

I know we had two meetings that week, and it was amazing our inability to put in precise terms just when certain events occurred, because there had been no so-called diary kept. This was not necessarily our operation. We supported it. Various segments of the Agency supported it. So I contributed to it in that sense.

The following week I was asked by Mr. Casey and Mr. Gates directly to put together the master chronology, which I did, which formed the foundation for the Inspector General's final chronology that was passed to you and to the Intelligence Committees.

Q Let me focus specifically on the November HAWK flights into Tehran.

A Yes.

Q You had been a participant in that matter. You had received the Ledeen briefing of December 4, which certainly brought you current in terms of what was in

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those planes and what had happened in that circumstance.

Were you not troubled by the testimony that was to be given to the House and the Senate on the 21st of November that described the events in November?

A What we knew contemporaneous and what we knew after the fact are two different things. I think I've already testified under oath and earlier in my deposition that, one, I thought that our first concrete knowledge that we had it was HAWK missile parts, to my knowledge, was when Ghorbanifar told me on the 13th of January.

Clearly I was in error because Mr. Ledeen told me on the 3rd of December what was there. I didn't have that memorandum that I had written. I don't know where the memorandum was. Maybe it was in my files somewhere. I have so many memorandums. We were struggling to find out when we knew precisely HAWK missiles were on board that flight.

I have testified under oath again and again when we knew precisely HAWK missiles were on board that flight. I have testified under oath again and again that when I arrived at the office, took [redacted] down to Mr. Clarridge two floors below my office and showed him [redacted] and he was already involved, clearly, in sending messages overseas, that Mr. Clarridge had been told it was oil drilling equipment.

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Colonel North showed up sometime during the morning and said here's oil drilling equipment and we need to move it into Tehran. We can't do it the way we would like to do it, and we've got to have an airline available immediately because this is very important. He called the National Security Advisor and the Deputy National Security Advisor in my presence. I had, as I have testified, very grave doubts that that was oil drilling equipment, but I didn't know for certain.

And Colonel North stated emphatically that it was. I felt if there were shipments occurring of arms, [redacted] that Colonel North was using a cover story and had been authorized to do so by the National Security Advisor. It was very difficult for me to challenge that at that moment.

On the night of 25-26 November, [redacted] whatever had flown into Tehran was not oil drilling equipment [redacted]

And I remember when we congregated, I guess on

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Monday or Tuesday, and it must have been on Monday evening because I missed my planning commission meeting-- I do have another life -- that we talked about this, that by the 26th of November we were pretty certain that some form of arms was involved, but I didn't recall that we knew precisely it was HAWK missiles. That is, I did not personally know it was HAWK missiles until January 13.

And I can't recall what the Director's testimony precisely said on the 21st, at this stage.

Q Well, were you aware of the controversy and Mr. Sofaer and Mr. Cooper being concerned?

A No.

Q You weren't present at that meeting the next morning on the 21st?

A Not at all. I knew nothing about that until bits and pieces I have picked up in recent days.

Q Were you present when the Director actually testified?

A Yes.

Q His testimony before the House doesn't have the deletions that Cooper took out. His testimony before the House says in essence we were told it was oil drilling equipment and that's what he's representing to the House of Representatives. That didn't concern you all, that the representation was made to the House of

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Representatives?

A That's what we were told. Maybe that's a legal fine point, but that's what the NSC told us. Clearly we knew later, and I think in the testimony we knew later it was HAWK missiles.

Q The testimony suggests that you all didn't know it was HAWK missiles until sometime in January.

A That's what I'm saying. And when we were struggling to know the precise cargo I probably am responsible as anyone -- and I'll take that responsibility. Twenty of us sat around the table and we were trying to recall precisely when we knew HAWK missiles were aboard. But I stated at that meeting, whenever it occurred -- on the Monday -- that we knew some form of armaments probably were involved by the 25th and 26th. [redacted]

But I had forgotten that Ledeen had told me emphatically what was aboard on the 3rd of December. I had totally forgotten that.

Q Let me come at it another way, Mr. Allen. You heard Casey's testimony. Did you hear both the Senate and the House testimony?

A Yes.

Q Did you come away from that testimony troubled

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that Casey had mislead the Senators and Congressmen or not?

A I didn't think he had misled them at the time. I think we were scrambling to try to reconstruct. I don't want to sound disrespectful, but there were so many things overwhelming normal senior Agency officials, and this was held so compartmented and so fragmented the fact that errors were made, mistakes were made, and misstatements were made does not surprise me.

But I do recall a very detailed conversation, I believe on Monday and then again on Thursday, as to just when we knew precisely -- when we knew precisely, when Ghorbanifar himself told me at Mr. Ledeen's house that HAWK missiles were on board. We thought it was January 13. Clearly we were totally wrong.

You showed me in my last deposition a memorandum that I had forgotten that I knew as early as the 3rd of December, and that memorandum went to a number of people. That went to the Director and the Deputy Director. It went to McMahon. It went all over.

Q It's my understanding that it came to the attention of the Director the night of the 20th, that Mr. Sporkin was also knowledgeable of the fact that weapons, missiles, had been on that flight on November 25, that that was brought to the attention of Mr. Dougherty and

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that Dougherty suggested that was a reason for modifying the testimony that evening.

Was Sporkin's knowledge brought to your attention during that period of time, November 20-21?

A No. I didn't know he had contemporaneous knowledge. I knew after the fact, when he was briefed on the shipment, that he said this was a covert action and perhaps some ex post facto Finding needed to be made on this.

Q The Finding goes up November 26. It's quite specific in trying to retroactively take care of the initiative. Sporkin and Makowka apparently told somebody on the night of the 20th of November preparing for the testimony that they recalled that they knew about armaments being on that flight. But that message didn't get to you that day?

A Which day are we talking about?

MS. MC GINN: Object to the form of the question. Can you just clarify that what you are saying is that Sporkin informed Mr. Dougherty or Mr. Makowka that he thought he remembered knowing about the weapons after the flight took place? I think we're getting confused here on what took place.

THE WITNESS: See, I'd be very surprised that Mr. Sporkin knew contemporaneously on the day of the 24th

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and 25th that HAWK missiles were aboard that aircraft because he didn't even know about the operation.

BY MR. KERR: (Resuming)

Q He knew on the 25th.

A Yes, sir. He knew something had occurred on the 25th -- 26th.

MR. WOODCOCK: He was briefed on the 25th, according to his testimony, that missiles were on board the plane. He believes that he was told specifically HAWK missiles at that briefing, and that would be November 25, '85.

THE WITNESS: I never heard that. I don't know anything about that.

MR. WOODCOCK: And he is supported in that by Ed Dietel, who was present at the same briefing, and Makowka, who then followed into the briefing and was told by Sporkin and Dietel that it was missiles. This is November 25.

BY MR. KERR: (Resuming)

Q What I'm trying to focus you on is what you knew in preparing for Casey's testimony. Casey's testimony on this point isn't even close.

A I knew that HAWK Missiles, but at the time that the flight was being arranged and the flight was under way I had deep suspicions that Colonel North was

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not honest with us, that he was, for his own reasons, giving us a cover story. I believe that Mr. Clarridge and I discussed that.

But when we prepared the testimony we probably could have done a better job in how we phrased it. But I thought that, you know, I didn't know what Mr. Dietel and Mr. Sporkin had been briefed on the 25th of November, 1985. I know that when we were preparing the testimony prior to 21 November 1986 there were a lot of imperfect memories and a lot of struggling to try to get it very accurate that week.

And if Mr. Casey misspoke or misled the Select Committees he did it because his staff didn't do a good job. That's my belief.

Q You are not conscious of a decision being made at the higher levels of the CIA to give this testimony that knowledge happened in January even though you all knew that that was not the case?

A You're going to have to restate that one because this is a fairly serious question.

Q The testimony that was given to Congress suggested that in January of 1986 is when the Agency learned for the first time that there were HAWK missiles aboard this flight. That's the testimony that came across to Congress.

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A That's correct.

Q You are not aware that a decision was made by people at Casey's level to give such testimony even though they knew it not to be true?

A No, I'm not aware that anyone tried to deliberately mislead the Congress -- either Mr. Casey or any of his senior officials. I have no knowledge of that. We honestly were struggling [redacted] this was not oil drilling equipment, but I don't know of any deliberate decision by Mr. Casey or any senior Agency official to mislead the Congress.

Q We have a chronology prepared prior to his testimony by the CIA which quite clearly indicates that the shipment of November 1985 was a shipment of munitions at the initiative of NSC. Someone at the CIA prepared that chronology, and yet Casey's testimony doesn't correspond to that.

Do you have any knowledge of how the chronologies got changed or altered during that period of time?

MS. MC GINN: Object to the form of the question. First of all, that chronology does not state and you cannot show us any chronology that states that they knew contemporaneously that those shipments were

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HAWK missiles. Any chronologies that were prepared were prepared in the November 1986 time frame. What they knew in November 1986 is very different from what they knew in November 1985.

MR. KERR: Certainly what the CIA has been telling us they knew is very different.

MS. MC GINN: That's the testimony and that's what the facts indicate.

MR. KERR: No, ma'am. That's not what the facts indicate.

MS. MC GINN: Well, you show me a chronology that indicates --

MR. KERR: We will show you a report that goes through in some detail what the facts really indicate.

MS. MC GINN: We look forward to that. But you show right now, if you want him to answer that question, you show him a chronology.

MR. KERR: I'll ask him to answer the question. If you tell him not to answer it, you can deal with the Committee on that.

MS. MC GINN: I objected to the question, and if he wants to answer it under those confused circumstances, he can answer it. Do you understand the question?

THE WITNESS: I've lost the question. I've

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lost the whole train almost.

BY MR. KERR: (Resuming)

Q With regard to the chronologies that were being prepared during the November 19, 20, 21 period of time, did you review those chronologies as they were prepared?

A I contributed to them. I know that [redacted] and [redacted] and others were scrambling around to put together a chronology. I know that the Inspector General had started a chronology and the Office of General Counsel had started a chronology. And I contributed some of my knowledge as to the chronology, of what had occurred at the beginning of the initiative up through the November 1986 time frame.

So there were a series of chronologies being prepared by a variety of people. No one was strategically in charge overall, and that was one of the problems that when we met in the Director's conference room on two occasions that we earnestly were struggling to get the chronology correct.

And I recall considerable conversation of when we knew explicitly what was on board that flight. But on the chronologies that were prepared prior to the Director's testimony on the 21st I was not in charge of it. I contributed to it, and I can't remember which

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pieces I necessarily contributed [redacted]

[redacted]

But the next week Mr. Gates called and said on behalf of Mr. Casey I should put together the master chronology and I did put together the master chronology. And I think it was a very fine chronology. But neither Mr. Casey nor any senior official, to my knowledge, ever made a decision to mislead -- to the best of my knowledge, to mislead the Congress on what was on that flight.

If there's confusion, boy, confusion abounded at the Agency that week.

Q With regard to Mr. Clarridge, did he too play a role in drafting that chronology during that period of time?

A He sat in on the two meetings, sir.

Q But taking pen in hand or writing?

A I never saw him take pen in hand. We talked about -- I was witness to the fact that Mr. Juchniewicz was there for at least the first meeting and Mr. Clarridge, and they had different recollections over just how that NSC request occurred and to what degree was Mr. Clarridge authorized to conduct the activity.

There was a lot of confusion. There was a lot of sincere men trying their very best at that time.

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Q Was there one person that had responsibility for putting that chronology together, who had overall responsibility for it?

A Well, I think that was part of the problem. I think [redacted] was just taking bits and pieces, along with Mr. McCullough, in trying to put together the best chronology. The Directorate of Operations took the initial effort of the chronology, but then the Inspector General had a responsibility, the General Counsel. So there were a series of chronologies begun.

I'm afraid we did not perform with real professionalism that week. It just took us another week or so to get a very detailed chronology down. I wrote the baseline chronology on which the Inspector General built a very detailed chronology, but, you know, I would be very surprised if Mr. Casey or any senior official advocated misleading the Congress on what was in that shipment.

But I knew there was considerable confusion at the two meetings that I attended where you had 20 -- maybe 15 to 20 -- people struggling to get the thing right. And I don't think we got it right.

Q You were not aware of Colonel North playing a role in adjustments being made to the CIA chronology during that period?

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A I heard something about that from Mr. Gates, but I had no direct knowledge. I saw a version which was probably in my files of the chronology that was being developed at the NSC. I think I have a copy of something called a maximum version. There is probably something in my files. Some of that did not track with my knowledge, particularly the shipment in August and September of '85. It didn't seem correct to me. It was a draft.

Q But in terms of who at the CIA was getting that information from NSC, can you identify that person for me?

A Mr. Cave was down there working with Colonel North at the time. He brought back the version that was put in my files.

Q Was it your impression he was the contact point for NSC input on such a chronology?

A No. I don't think he was necessarily the input at all, not the contact. He was down there, and the only part that he could contribute to the NSC chronology was after the 5th of March when he joined the operation. He had no contemporaneous knowledge of what occurred in 1985 and could in no way be held to what was prepared.

Q What did Gates tell you, if you can recollect it?

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A He told me that he had challenged Colonel North at a meeting at the White House that had to do with some parts of the chronology prepared by the NSC, which I guess related to the use of the proprietary aircraft, and he challenged Colonel North and Colonel North changed it to the way Mr. Gates -- Mr. Gates will have to tell you explicitly what it was.

MS. HUGHES: Could we go off the record for a minute?

(A discussion was held off the record.)

(Whereupon, at 7:15 p.m., the taking of the instant deposition recessed, to reconvene at 10:30 a.m., Thursday, July 2, 1987.)

_____

Signature of the Witness

Subscribed and sworn to before me this _____ day of _____, 1987.

_____

Notary Public

My Commission Expires: _____

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CERTIFICATE OF REPORTER

I, MICHAL ANN SCHAFER, the officer before whom the foregoing deposition was taken, to hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michal Ann Schafer

Notary Public

in and for the District of Columbia

My Commission Expires: February 28, 1990

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Stenographic Transcript of

HEARINGS USITS 124 /87

Before the

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

CONTINUED DEPOSITION OF CHARLES E. ALLEN

Thursday, July 2, 1987

4259

Partially Declassified/Released on 1-20-88
under provisions of E.O. 12356
by N. Menan, National Security Council

Washington, D.C.

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CONTINUED DEPOSITION OF CHARLES E. ALLEN

Thursday, July 2, 1987

United States Senate

Select Committee on Secret

Military Assistance to Iran

and the Nicaraguan Opposition

Washington, D. C.

Continued deposition of CHARLES E. ALLEN, called as a witness by counsel for the Select Committee, in the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D. C., commencing at 10:35 a.m., the witness having been previously duly sworn by MICHAL ANN SCHAFER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by RAYMOND HEER and transcribed under his direction.

Partially Declassified/Released on _____
under provisions of E.O. 12356
by N. Menan, National Security Council

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APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

CHARLES KERR, ESQ.

TIMOTHY WOODCOCK, ESQ.

On behalf of the Central Intelligence Agency:

KATHLEEN McGINN, ESQ.

RHONDA HUGHES, ESQ.

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By Mr. Woodcock	637	

EXHIBITS

ALLEN EXHIBIT NUMBER	FOR IDENTIFICATION
87	645
88	645

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PROCEEDINGS

Whereupon,

CHARLES E. ALLEN,

called as a witness by counsel on behalf of the Senate Select Committee and having been previously duly sworn by the Notary Public, was further examined and testified as follows:

EXAMINATION

BY MR. WOODCOCK:

Q Why don't we go on the record? Mr. Allen, this is a continuation of our deposition, which now has been going on for three days over, I guess, about an eight-week period now. I want to remind you, as I think you know, that you are still under oath in this deposition.

Mr. Allen, as I explained before we started, I am going to be covering some scattered topics that I have made notes on in the course of Mr. Kerr's examination of you. Let me begin by asking you with respect to George Cave, George Cave became involved in this operation around March 4 or 5, 1986; does that square with your recollection?

A That is correct. As I understand it, it was 5 March 86 that he became involved in the operation.

Q Now what was Mr. Cave's relationship to you?

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Were you his superior or how did that work?

A No, I was not Mr. Cave's superior at all. [redacted] in January, who was then [redacted] of the Directorate of Operations, stated that he thought it was important to bring on the Farsi speaker and an expert on Iran, and he mentioned Mr. Cave.

After the meeting, I believe, that [redacted] attended in February where I believe perhaps even Mr. Hakim was interpreter, [redacted] pressed to have his own Agency expert in the operation. So Mr. Cave reported through [redacted] and up to Clair George and up to Mr. Casey. He did not have a desk in the Directorate of Operations, and because the intelligence that we collected on a daily or certainly a weekly basis was of value to Mr. Cave as he undertook his work, he tended to work out of my office.

At that time we were relocating. [redacted] Then I moved into my own private office. Mr. Cave tended to work in my office or at a desk that belonged to me just outside my office, but his reporting chain was clearly through [redacted]

Q Now let me clarify your testimony from the preceding day. You testified, I guess it was on Monday,

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that you were not aware of Albert Hakim actually having attended the February 25 meeting until sometime long after the meeting. Is that correct? Did I understand that correctly?

A To the best of my recollection -- and I must testify to my recollection -- I did not recall the name Hakim being involved in the February session at all. However, I became aware of Mr Hakim in March or April when he made this direct call to the senior official in Tehran ([redacted] and I was told that Mr. Hakim at that time was an Iranian expatriate living in this country who in some manner was related to the initiative and to Colonel North.

But I did not focus on his role at the time, and it wasn't until the summer of 1986 in, I guess, July that I became aware of just how significant a figure he really was.

Q Did you understand when George Cave came on in early March that he was supplanting someone?

A No, I did not understand that at all. I thought he was coming in as a CIA officer in whom we had confidence to serve as a Farsi linguist and also, I believe, as [redacted] said, to serve not as a negotiator but as an advisor to the NSC or to assist the NSC in the initiative.

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Q When Mr. Cave came on were you present at any of the briefings that were given of him or for him?

A I don't think I was present at any of the briefings. However, [redacted] either saw me or called me and said it was important that I sit down with Mr. Cave and explain what my role had been in intelligence tasking, direction, [redacted] And that I did.

And, of course, Mr. Cave then continued to -- he spent some time over in the [redacted] Division, but he spent a lot of time working out of my own office.

Q Let me shift to another topic. You were head of the DCI Hostage Location Task Force that was established in late 1985; is that correct?

A That is correct.

Q That Task Force focused at one point, did it not, on securing the release of Peter Kilbourne; is that correct?

A It was aware of the Peter ~~Kilbourne~~ Kilborn operation and we reported on the Peter ~~Kilbourne~~ Kilborn operation from time to time to Admiral Poindexter. [redacted]

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[redacted]

We reported and analyzed the Kilbourne case on a weekly basis, and some of our reports went in to Admiral Poindexter on that case. That case was under way when the Hostage Location Task Force was formed.

Q [redacted]

A [redacted]

Q So I gather from your testimony that in that undertaking you did not as the DCI Hostage Location Task Force have any direct responsibility for it, but it was more intelligence gathering and support?

A Support, analysis as to what was happening, reporting to Admiral Poindexter and Colonel North on the progress of the operation.

Q [redacted]

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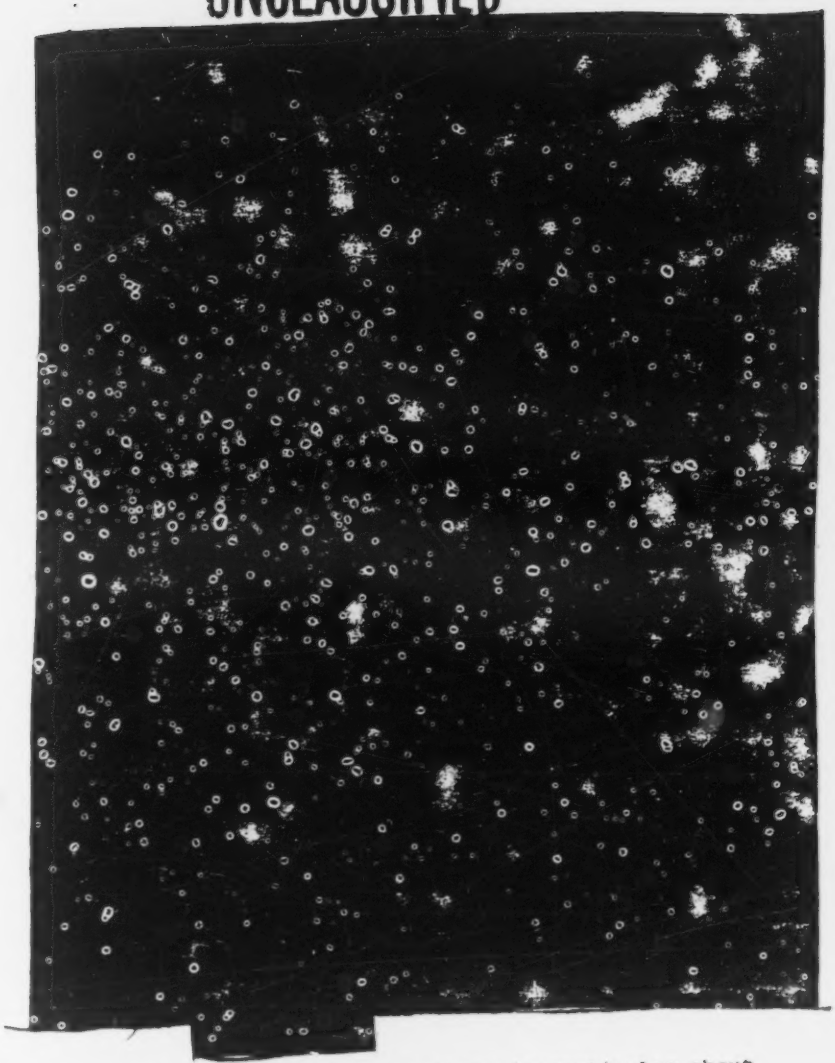

Now was there anything in particular about

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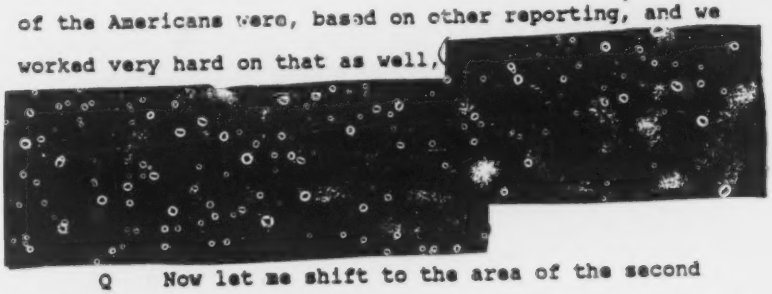
Kilbourne himself or was it simply this person's contacts that caused the effort to focus on Kilbourne?

A Kilbourne was looked upon as another hostage and Colonel North always indicated that we treated all of these hostages equally in our attempts to free them. We always felt that Kilbourne was held by a different group, and I think that is convincingly the case -- more of a criminal group, perhaps in collusion with some Syrian non-commissioned officers.

But we worked on it just as we worked -- in the spring of 1986, we had thought we knew where the rest of the Americans were, based on other reporting, and we worked very hard on that as well,



Q Now let me shift to the area of the second channel. The second channel began, I gather, through the efforts of General Secord and Albert Hakim; is that your understanding?

A That is correct.

Q When were you aware that the second channel contacts were really under way?

A I was aware in the August time frame that

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contacts were under way with a new group of Iranians, probably in the second half of August. I was aware that there had been contacts in New York between Mr. Cave, I believe, and Mr. Hakim and the individual [redacted] with whom Mr. Hakim had been in contact. And I believe that a polygraph was conducted of this contact which proved good.

Therefore, there were initiatives under way in the July time frame that I was generally aware of, and I was more aware after the meeting of 15 August in Brussels.

Q Now to the extent George Cave was involved in this, I gather he would have kept you contemporaneously apprised?

A He generally kept me apprised of the second channel. Clearly Colonel North was very cautious about information on the second channel, and I was not really focused on the second channel until after he told me on 9 September that this was very important, officially approved, [redacted]

Q Let me show you a couple of documents. I don't know where we are in the Exhibit sequence at this point.

(A discussion was held off the record.)

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(The documents referred to were marked Allen Exhibit Numbers 87 and 88 for identification.)

BY MR. WOODCOCK: (Resuming)

Q Now, Mr. Allen, if you would take a moment and read each of these and first let me know if you recognize either of them or both of them.

(Pause.)

A Just before I read them carefully, I have seen both of these memorandums in the past, in the summer of 1986.

Q Now we have the testimony of George Cave to the effect that he wrote those memoranda himself and your testimony is that you saw them in the summer. Do you believe you would have seen them about the time they would have been created?

A I remember seeing this one about the time this was created and I remember having lunch with Mr. Cave and he described his visit to New York. I believe this was a visit that occurred in New York.

Q And by "this one" you are referring to the one that is marked 87; is that correct?

A That is correct, yes. And I listened to Mr. Cave describe his meeting and he felt that this individual, [redacted] looked like a reliable individual

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and I recall that he was talking about setting up a polygraph.

Q Did he tell you that he knew [redacted]

A I believe he said he knew him or knew of him. I can't recall precisely. [redacted]

Q [redacted]

A [redacted]

Q Let me ask you, then, if the July date on that squares with your recollection of when you would have become aware of the contacts that led to the second channel.

A Yes, sir. It would be, and it would be shortly after that. In fact, Mr. Cave and I had lunch two or three times a week to talk over this activity. When Mr. Cave was at the office he would usually stop by and if I did not have a luncheon appointment he said let's go to lunch. And so we had a considerable time to discuss about this.

Q Now I gather from your testimony that you were contemporaneously aware of plans to place [redacted] on a polygraph; is that correct?

A Yes, I knew of that.

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Q Do you know whether that was going to be an Agency-conducted polygraph or, as I think it says in the memo, a private polygraph?

A I think it was a private polygraph Mr. Hakim was going to arrange, and I may be inaccurate on that because I didn't get directly in involved in these kinds of sessions, but I think it was, I thought it was a private polygraph. I don't know whether the Agency ever ended up polygraphing him or not. I just don't know.

Q [redacted]

A [redacted]

Q I gather, then, from your testimony that you received no confirmation one way or the other as to whether the Agency itself had polygraphed this individual.

A No. I don't recall. But I recall Mr. Cave indicating that he thought that [redacted] would be a reliable asset.

Q Based upon his own personal understanding of the man; is that correct?

A Yes, that's right. And just to continue for the record, I remember seeing the 11 July memorandum sometime in July. Mr. Cave, when he wrote memorandums

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like this, he made a copy available or he actually put his own original in my file.

Q Do you recall knowing at this mid-July period of Hakim's plans to compensate --

(A discussion was held off the record.)

BY MR. WOODCOCK: (Resuming)

Q In reviewing Deposition Exhibit 88, do you recall knowing at about that time, which would be about July 11, 1986, that Hakim had some plans to compensate [redacted] for his efforts in opening up the second channel?

A I think there was some mention of that, but I don't recall any specifics.

Q Did you have any understanding as to whether that was going to be a flat payment or a promise for [redacted] to participate in business ventures in the future?

A It is the latter. As I recall, it had to do with business ventures, and I think Mr. Cave commented something along those lines.

Q Do you recall receiving any information -- and let me now take you from this point, which would be July 11, to the end of the Iran initiative, when it became exposed in November -- any point at which Mr. Hakim complained that he was unable to satisfy demands from [redacted]

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[redacted] or any other Iranian contact who had facilitated the opening of the second channel?

A There was some comment along those lines, and I can't recall who made the comment, that Mr. Hakim and [redacted] the relationship was not that warm and there was some indication at one time that Mr. Hakim wanted to cut [redacted] sort of out of being a participant in this activity. But I can't put a time on this.

Q Do you know how that information came to your attention?

A I can't recall [redacted] maybe Mr. Cave mentioned that there were some problems, but I can't recall.

Q In September you had some direct communication yourself with Mr. Hakim.

A Yes, indeed I did.

Q Do you recall him telling you of these problems?

A No, sir, he didn't, not to the best of my recollection. This was Labor Day weekend. It was on a Friday evening. I recall Colonel North calling me and saying that Mr. Hakim believed that there was this alleged diversion occurring of TOW missiles and that this

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would certainly undermine the ability of the U.S. Government to continue to provide an incentive for Tehran to deal since there were several thousand TOWs allegedly involved in this.

And I had a series of conversations that weekend and over the next several days which I summarized in a memorandum that you have, around 2 September 1986, where the Customs and the FBI, I think, looked for information to substantiate Mr. Hakim's allegations, and to the best of my knowledge they were never able to do so, and I summarized all of this and gave the memorandum to Colonel North.

Q Indeed, and we do have that memorandum. I'm not going to ask you to repeat your testimony on that topic. As the second channel developed in September, was it your impression that this channel promised a more real political benefit than the first channel?

A I was ambivalent in September about the reliability of the second channel. [redacted] I guess we knew a little bit about the individual, [redacted] but we could not from our perspective say that this was a very solid channel.

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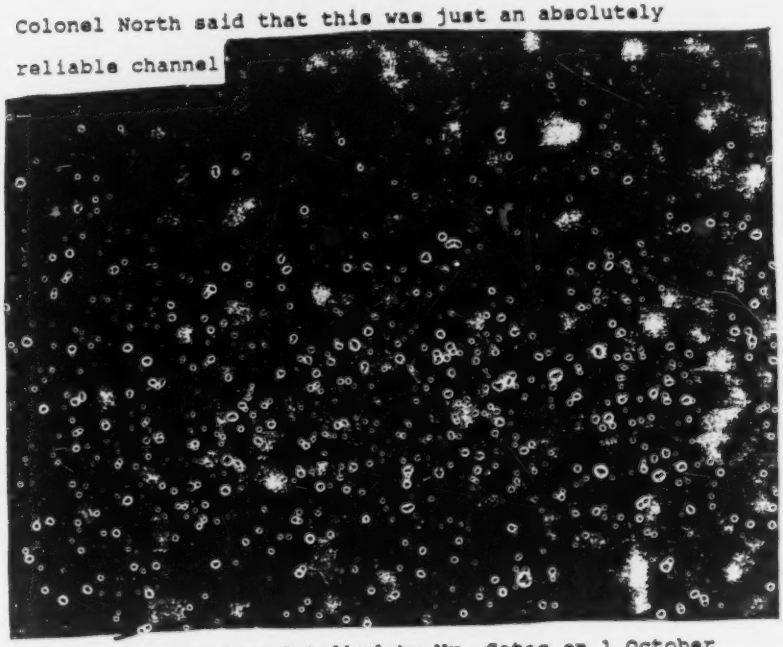
But as September continued, after 9 September Colonel North said that this was just an absolutely reliable channel



And when I talked to Mr. Gates on 1 October about the reliability of the second channel I said it was yet to be completely authenticated, that we really couldn't say it was all that reliable, although there were some indicators along those lines.

Q Do you recall Mr. Cave's assessment at this time of the second channel, and let me speak now of the period subsequent to the meeting on September 19-20?

A I think Mr. Cave was impressed after the

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initial meeting [redacted] I think Mr. Cave -- I remember that he called me, I believe the afternoon of the 19th, and that was a Friday -- no, I guess the 20th was a Friday -- and he talked about a joint commission that the Iranians had proposed, a joint commission, that the individual, [redacted] was very self-assured.

It was quite a responsive statement on the part of Mr. Cave that he felt we were into a very promising development in this whole effort, and I think in my conversations with him the following week after the meetings of 19-21 September that Mr. Cave felt that this offered a lot of promise, [redacted] and he appeared to be exactly who he said he was.

Q Did you have an understanding as to what precisely this joint commission was supposed to do and how long its duration was intended?

A Well, I believe they talked about covering a number of areas -- that they would look at economic relations, political relations, that they were prepared to name their members to the commission and for the United States to do the same. I was surprised by the Iranian aggressiveness in this, but I had no idea as to how long it would be in existence.

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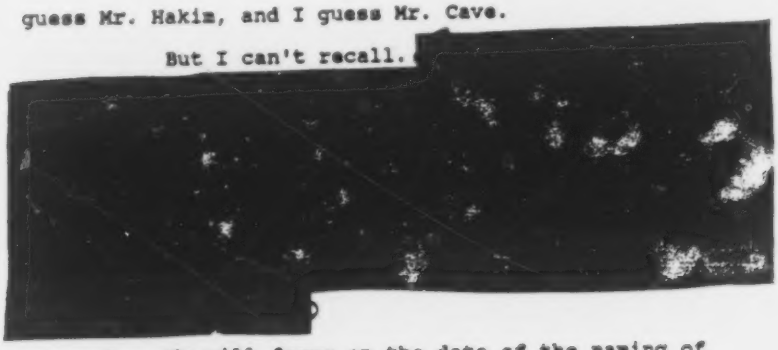
Q . Were you aware that during the September 19-20 meeting Colonel North had in fact named members to the commission?

A I was aware in October that he had named some people to the commission. I didn't think -- and I guess I didn't think that Colonel North in September had named the U.S. members. I thought this occurred in October and that the members were Colonel North, General Secord, I guess Mr. Hakim, and I guess Mr. Cave.

But I can't recall.



Q We will focus on the date of the naming of persons to the joint commission in a moment, but your understanding of the personnel on the commission included, among others, General Secord. You were aware at that time, of course, that General Secord was not a U.S. Government employee; is that right?

A I didn't know that he was a government employee. I thought in a sense that he was at least a consultant to the NSC in order to carry out this role.

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Q How did you come by that understanding, Mr. Allen?

A Well, I think I want to say that that was my assumption at the time because I had, as you recall, met General Secord for the first time in late January 1986, and for some reason the fact that he was part of this enterprise -- I'm not sure I would use the term "enterprise", but this initiative -- I just assumed that there might be some consulting relationship with the NSC.

I never was told that. I never saw any documentation to that effect. It was probably a false assumption on my part.

Q Now I'm going to show you, Mr. Allen, just for the sake of clarifying this aspect of your testimony, a document you may or may not have ever seen. I don't have a copy of it, so I won't mark it as an exhibit, but it bears the Committee identifiers N-28774 through 28780. And it contains in the middle of it a document which I believe the CIA has, and that is a three-page summary or four pages, excuse me, summary of the September 19-20 meeting prepared by George Cave, who was not himself visibly listed as an author but who has confirmed that in fact he was the author.

On the third page of this document, in paragraph six, there is a reference to joint committee,

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and in particular I would direct your attention to, it looks like, the third sentence of that paragraph.

(Pause.)

A I didn't recall that this had been stated at the time. I just had the impression that things had not gone that far, as far as this memorandum. I think I have seen it somewhere.

MR. WOODCOCK: Let's go off the record for a second.

(A discussion was held off the record.)

MR. WOODCOCK: Let's go on the record.

BY MR. WOODCOCK: (Resuming)

Q I will summarize what you just said, Mr. Allen. You've had an opportunity to briefly look at the interior memorandum which starts with the heading Secret/Sensitive, and then Subject: Rundown of Visitors; Comments on 19-20 September 86.

A I've seen that.

Q Your testimony is you've seen that before?

A I've seen the memorandum, but I've not seen the cover. I have not seen the cover documentation.

Q Thank you. Now in this immediate post-September 19-20 period do you recall any discussion either from Mr. Cave or anyone else within the CIA about the appropriateness of formally bringing the State

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Department into this Iran initiative?

A I recall some discussion that as this initiative proceeded and bore fruit and that there was a feeling on the part of the NSC, I assume, that the hostage matter would be resolved with this new, reliable channel -- and I put "reliable" in quotes -- and that it would be imperative at this time to bring in the Department of State in order to more formally set up the still-secret links with Iranian elements.

I believe Mr. Cave, as I recall, was an advocate of this and he mentioned that to me in the late September time frame, if I'm correct. And we discussed it, Mr. Cave and I, and I think Mr. Cave indicated that he had advocated this.

Q Did you agree with him?

A Yes, sir.

Q When you say that you believe he advocated it, is that to Colonel North or Admiral Poindexter?

A No. It would be my belief and my recollection as well that this was just something that he discussed with Colonel North.

Q Are you aware of a meeting involving the Director of Central Intelligence and Mr. Poindexter on September 24, 1986?

A No, sir. I'm not necessarily aware of it, to

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the best of my knowledge.

Q The purpose of the meeting would have been to give both the Director and Admiral Poindexter a summary of the meeting that had just occurred on September 19 and 20. Does that give you any further basis for a memory on that?

A I know that there was a briefing of the Director. I was not a participant. But I don't specifically recall Mr. Casey and Mr. Poindexter being jointly briefed. I could well have known that and have forgotten it.

Q Do you recall whether Mr. Cave ever told you that? I think your testimony was he addressed this, but let me put the question differently. Do you recall Mr. Cave ever telling you that he spoke directly face-to-face with Admiral Poindexter and advised him or emphasized to him that it was important to bring the State Department into this matter?

A I don't recall that he told me that he talked directly to Admiral Poindexter, but I heard that he discussed the matter. Particularly after this joint commission had been proposed he had discussed it with me. He said it is time to very carefully bring the Department of State into this initiative, and I know that he discussed it with Colonel North, but I cannot testify

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that he talked to Admiral Poindexter.

Q Were you aware -- and this would be in the same time frame, the immediate post-September 19-20 time frame -- of any effort on the part of Lieutenant Colonel North to narrow the field of those who were aware of the second channel?

A I sensed that something might be under way along those lines, but I never had any direct evidence. No one ever spoke to me specifically about it. I have heard that that is the case, that [redacted] and I were to be excluded from the initiative.

Q So you had an understanding that you yourself --

A Well, I had a sense that that might be under way, and I can't remember why. But during the Tower Commission report the Tower Commission investigators indicated they had documentation that stated that [redacted] and I should be excluded.

Q Now given that you really were the liaison to the intelligence community for this initiative --

A Yes, sir.

Q -- how does it stand that you would be excluded from this kind of an undertaking?

A Well, I didn't have any direct knowledge at the time. It wouldn't make very good sense if you wanted

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intelligence which would help you measure progress or evaluate the bona fides of the foreign nationals involved in this initiative. You would need intelligence. So it would not make good sense.

Q So Colonel North never came to you and said it was time to restrict you out of the program?

A No, he never raised it directly with me, to my knowledge or to my recollection. I know I would remember that very distinctly. I continued the collection.

Q I gather from your testimony you first became aware of this when you appeared before the Tower Commission; is that correct?

A Yes. But, and I don't want to overstate it, there was a sense, I think in the October time frame, that there was great concern about the security of the initiative. Colonel North was constantly worried over that. I was worried over it, too. But I was at that time very worried over the operational security.

Q Your concern was arising largely from the Ghorbanifar difficulties; is that correct?

A Yes, and the fact that the unexplained pricing, the fact that something was awry in the pricing issue. But yes, Colonel North was constantly reiterating the security of the program. But I came very directly, and I guess knowledgeable from the investigators at the

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Tower Commission, who stated -- they did not show me any documentation, but they stated that there was documentation -- that they had direct information that Colonel North wished to exclude [redacted] and myself from the initiative in the fall of 1986.

Q Now I need to sharpen that question so that I understand whether in the fall of '86 you understood when you realized that Colonel North had his own operational security concerns, did you also understand that you were part of his concern about operational security?

A I can't attest to that directly. I can only say that there was heightened concern about the security.

Q Which affected you in any way?

A Well, it did not in a sense, because I knew of impending meetings. Mr. Cave and I continued to work every day. I worked on a thousand other things and Mr. Cave worked directly on this project. And no way did I feel that if I needed information on the initiative I could always ask Mr. Cave and he would always be very open to what was going on.

But I am just saying that there was a heightened sense of worry and concern on the part of Colonel North in the October time frame. But I will not, I cannot testify that I was aware that he had explicitly planned to exclude me from the initiative.

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Q And I gather can you testify as to whether you had any intuitive feeling that you were being restricted?

A No, I can't testify to that.

Q So whatever those documents that the Tower Commission had had said, you saw no tangible manifestation of that attempt during that period of time, the late September-October period?

A No. I saw no specific, direct effort on the part of Colonel North, nor did he ask Mr. Casey to restrict me from the initiative.

Q Do you recall whether an effort was made to bring medical supplies as part of the U.S. offering to Iran along with arms in the fall of '86?

A Yes, sir.

Q What do you recall about that?

A I recall that in the fall of 1986 there were-- ideas came out of either the NSC or from some other source that it would be good to show that non-lethal material was included in the shipments and that I believe the Agency was asked to secure some medical supplies, $40,000 worth of medical supplies, and there would be a pallet of medical supplies, too, that would go in to Israel and then on into Tehran with one of the shipments.

And I can't precisely recall now which shipment was to include those medical supplies. I think

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they had trouble getting the medical supplies onto the plane and into Tehran. I know that the Agency helped gather or procure the medical supplies.

Q Was it your understanding the Agency paid for these medical supplies out of its own funds?

A I don't know.

Q Let me put the question differently and see if this elicits a recollection. Do you recall whether the monies for the medical supplies would have come from monies that were deemed as excess following the August 3 delivery of HAWK parts?

A It was my understanding that the Agency would be compensated for those medical supplies and they would be compensated from one of the transactions, and it could have been the HAWK. I believe that, like the rest of the initiative, it was my understanding, and I don't know that I am completely accurate in this, that the Agency would not pay for any of these materials, whether they be lethal or non-lethal, but funding had to be found for them and, as I recall, it was a nominal amount. $40,000 is the figure that comes to my mind, and one pallet.

Q Let me throw out alternative figures just to see if they affect your recollection at all -- about three pallets at $180,000.

A I don't think I ever heard that much. I

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remember the $40,000. That is more than I recall being involved. That is substantially more.

Q Do you recall whether these medical supplies were in any way represented as being handled by or derived from any of Albert Hakim's business organizations -- and when I say "represented", I mean represented to the Iranians?

A I don't recall at the time. There are other details about the medical supplies that I know I knew at the time, but I cannot recall that. I may recall it sometime, but at this time I just can't recall.

Q Let me pull two documents together and see if they assist in your recollection at all. The first is what has been marked as Exhibit 88 and the second is an 18-page single-spaced summary of the September 19-20 meeting taken from the notes of General Secord, who, as this event would indicate, is a copious notetaker.

The first document, Exhibit 88, states in paragraph three that Hakim spent a lot of time explaining [redacted] that he wanted to set up some legitimate business with Iran for cover purposes. He was willing to sell medicinals at cost or on a credit basis with up to a year to pay if he could get some benefit out of it.

Now that's statement number one. The second is North is the narrator in the meeting -- and this is

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the meeting on September 19-20 -- and the statement goes as follows: One reason why the President agreed to the TOWs and HAWK parts which have been shipped so far is because they are defensive, help against Iraq and the Soviets as well. Again, I say don't think too small. For example, we have offered to send medical supplies through Albert Hakim's organization. He believed that medical supplies could be more valuable perhaps than all the military ammunition we could send.

Taking those two statements together, do those give you any further definition to your memory about the medical supplies and Albert Hakim's represented role with respect to them?

A I'm afraid it doesn't. I remember reading paragraph three in the 11 July 86 memorandum, and, of course, I have never seen the lengthy NSC document. I'm sorry. I recall there was a lot of to-ing and fro-ing about the medicines, that I felt at the time it was only one pallet, and substantially less cost than what is indicated there.

And clearly I have read this memorandum, but it did not stick in my mind that Mr. Hakim was going to do the procurement and was going to do actually the financial transactions on the medicines. I'm sorry. I just can't recall.

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Q Do you know whether the medical supplies ever actually made it to Iran?

A I thought some medical supplies did go in, as I recall, in one of the shipments in October. That was my understanding.

Q Do you know where you gained that understanding?

A I believe in conversations with Mr. Cave and probably [redacted] of the [redacted] Division. I recall also discussing the medical supplies probably with Colonel Earl at one point. I just can't recall. I thought that at least one pallet of medical supplies went into Iran. That has been my understanding. I may be in error in that. I just have to testify that that was my thoughts at the time.

Q Let me shift on to another topic. Do you recall Mr. Cave ever telling you that in his meetings with the Iranians in the fall of 1986 they advised him that they had only recently determined who Robert McFarlane and --

A Yes, absolutely. That struck me. I was stunned. That was the 19-20 September meeting, 1986, where [redacted] he said that they didn't know who Mr. McFarlane was and they later discovered that he really was a very significant figure.

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Q And they also did not know who Colonel North was; does that square with your recollection?

A That's absolutely the case.

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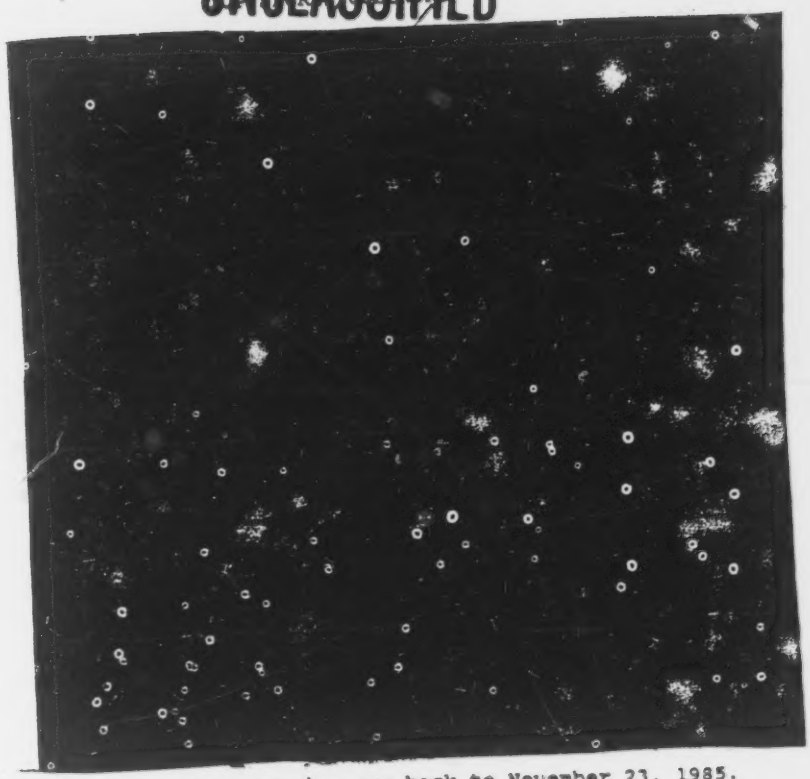

Q Let me bring you back to November 23, 1985.

A Yes, sir.

Q You have testified that on that day you were at CIA headquarters.

A Yes, I was.

Q Your office is on the seventh floor. Was it there at that time, too?

A My office at that time was in [redacted]

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Q And where in relation to your office was Mr. Clarridge's office?

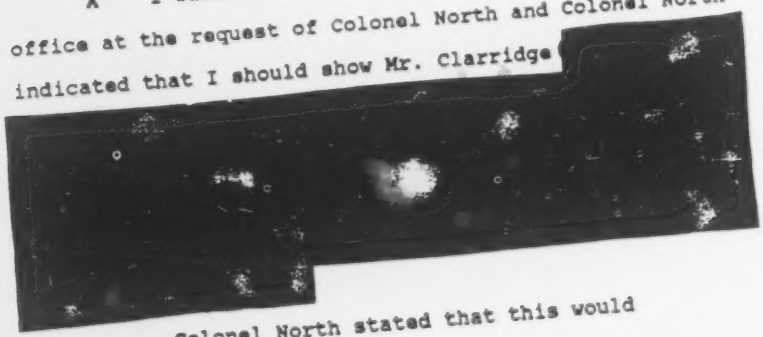
A It was directly down two flights, almost beneath my office two flights.

Q Where is Mr. Juchniewicz in relation to you?

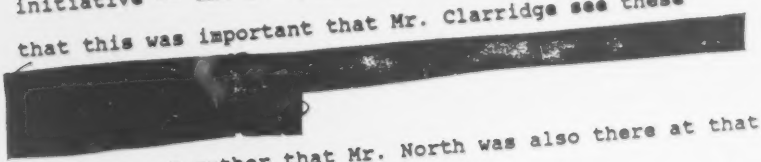
A Mr. Juchniewicz at that time was up next to the Director's office on the seventh floor, 7D corridor.

Q And you were assisting Mr. Clarridge, I gather, at that time by analyzing intelligence for him; is that correct?

A I wasn't. What I did was I came into the office at the request of Colonel North and Colonel North indicated that I should show Mr. Clarridge



Colonel North stated that this would demonstrate to Mr. Clarridge the legitimacy of his initiative -- and I'm paraphrasing Colonel North -- but that this was important that Mr. Clarridge see these



Q I gather that Mr. North was also there at that

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time; is that correct?

A Colonel North arrived an hour or an hour and a half after I arrived.

Q Did you have any assistant with you?

A I did not have an assistant. I had another senior official who came with me.

Q And that was [redacted]

A [redacted]

Q What was his role?

A [redacted]

Q And what was he doing specifically on that day?

A Well, [redacted] -- and I don't guess I've testified up here, but he is a longtime friend of mine. [redacted] and so he was a longtime friend of Colonel North. And when Benjamin Weir was released, when I ran out of steam that weekend, he came in and helped me and worked with Colonel North on all the activities relating to arranging for the debriefing of Benjamin Weir. And so he was aware of the initiative.

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Q So what was his duty on that day? How was he helping?

A I recall we came down and at that stage Mr. Clarridge indicated there would be a flight into Tehran and that I believe the only thing that I recall [redacted] did that day, he obtained some maps. He obtained some very excellent maps of [redacted] the Middle East so that Mr. Clarridge could look at flight routes.

I don't recall that he did anything else. I recall the guards complained that Colonel North's car was sitting at the south loading dock. He went out and moved the car for Colonel North. But other than that I don't recall that he did anything significant.

Q Now were you in Mr. Clarridge's office most of the time or part of the time on Saturday?

A Off and on for about five hours.

Q And would that period span from roughly 10:00-10:30 until 2:00 or 3:00?

A Well, about 2:30 because I went to a football game that afternoon. Herndon High School was playing for the regional championships against T. C. Woodson, and Colonel North wanted to go to the game, too, but he stayed on and I went on to the game and got there at halftime. So I must have been there about five hours.

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Q With testimony like that you really are going to persuade us that you do have another life.

A That is correct, sir.

Q Do you recall in addition to Mr. Clarridge and [redacted] and yourself anyone else being present in Mr. Clarridge's office on that Saturday?

A Yes. [redacted] I believe, was there off and on. [redacted] an excellent man.

Q Now I believe you've already testified and I don't want to misconstrue your testimony, but my recollection is that you did not see cable traffic on that day; is that true?

A I didn't read cable traffic, but I knew that cables were being sent [redacted] and I knew generally at times some of what was being contained. I don't recall reading the cables.

Mr. Clarridge, he didn't keep them from me, but when I was there they were talking about getting a flight clearance for a 747, an Israeli 747 coming out of Tel Aviv and it flew halfway over the Med and the clearance could not be obtained [redacted] as I recall, and the plane turned around and went back to

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Tel Aviv.

Q Do you recall Mr. Clarridge either going to see Mr. Juchniewicz or vice versa during this period?

A I don't recall that at all. But I was in and out. I went up to my own office because Colonel North was in contact with an individual Mr. Copp, whom I later learned was General Secord, [redacted] so I was in and out, but off and on I was there for five hours probably.

Q It has come to our attention through testimony of other witnesses, in particular [redacted] that on November 23 he sent a cable summarizing a conversation that he had had with Mr. Copp, now known to be General Secord. In that conversation General Secord related to him that the cargo aboard the planes or the plane heading towards [redacted] was HAWK missiles.

Do you recall any discussion of the arrival of a cable with that kind of information coming in on the 23rd?

A No, I don't. But I want to make certain that I understand your question. You indicated that there was a cable saying that the plane coming into [redacted] would have HAWK missiles on it?

Q Correct.

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A I don't recall a cable of that nature, nor do I recall any conversations by Mr. Clarridge or Colonel North to that effect.

Q No one brought that cable to your attention, then; is that correct?

A That is correct. I have testified Colonel North asserted several times that oil-drilling equipment was involved. I found that, as I have testified, very curious [redacted] it was not inconceivable, but one would think that this initiative had involved arms in the past.

Q [redacted]

A [redacted]

But I had no evidence that it was not oil-drilling equipment. I recall no cable. I never read any

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cable to that effect [redacted]

[redacted]

Q Did you share your suspicion at the time with Mr. Clarridge? I'm saying at the time on November 23?

A I don't recall saying that. I don't recall sharing that, no.

Q Do you recall Mr. McMahon being there at all?

A No. I do not recall seeing Mr. McMahon on that Saturday.

Q Given that you had a suspicion that arms might be involved and you were aware that Iran was also involved, would it not have been prudent to bring this to the attention of the DO personnel?

A Well, I assumed Mr. Clarridge had done that through the ranks. Mr. Clarridge is a very senior official.

Q But I gather you assumed he knew?

A I assumed that if there was anything, any aberrations involved in this NSC request and CIA support of this request that he would have the reason, the logic to bring this to the attention of more senior officials. And I did not question this. [redacted] I didn't occur to me that he would not get all of the appropriate clearances

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at every level.

Q But he can only report what he knows; correct?

A That is correct.

Q So what I'm driving at is was it your impression that he either knew or suspected as well that this shipment involved arms?

A I couldn't help but believe that he suspected that. [redacted]

Q But you don't recall actually confirming with him your suspicion?

A I recall that Colonel North arrived and Colonel North asserted that it was oil-drilling equipment. He placed calls both, in our presence, to the National Security Advisor and the Deputy National Security Advisor and it seemed to me that -- and he placed them through White House signals, so he wasn't talking out there to anyone other than the National Security Advisor and the Deputy National Security Advisor. I am very confident of that.

So it seemed to me that whatever was occurring that there was a very strong authorization at the highest level of the U.S. Government, and that I assumed that Mr.

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Clarridge had cleared this through his hierarchy. I believe that Mr. Juchniewicz was the Acting Director of Operations at the time.

Q Let me go back and see if I can summarize. You don't recall directly sharing with Mr. Clarridge your suspicions that perhaps this was really arms, and I gather that the reason that you feel you didn't do that was because you assumed he already knew.

A Well, I would assume that he would also have suspicions.

Q Right. In other words, let me put this question to you and see if this is correct. I'm talking about your own habit. At this point, if you had detected that Mr. Clarridge did not know what you suspected or did not suspect what you suspected, would it have been your practice to tell him that you suspected that arms might be on this flight?

MS. MC GINN: I object to the form of the question. If you understand it, you can answer it.

MR. WOODCOCK: No. Excuse me. Let me explain what I'm doing here. Let me go off the record.

(A discussion was held off the record.)

BY MR. WOODCOCK: (Resuming)

Q Mr. Allen, bringing you back again to November 23, you have testified that you yourself suspected that

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there were arms aboard this plane or arms involved in this transaction; correct?

A I have testified now and previously that when Colonel North asserted it was oil-drilling equipment, [redacted] I saw no reference to oil-drilling equipment. Therefore, I felt that something was under way and that Colonel North was providing some cover story and for reasons that he did not wish to tell me that perhaps other than oil-drilling equipment was involved -- perhaps munitions.

I have testified to that. And I further testified that I felt that this was something that was authorized at the highest levels of the U.S. Government.

Q Right. Now what I'm speaking to with this question is your role as a CIA employee and not as a member of the U.S. Government at large, but as a CIA employee in particular with obligations to the CIA.

A Absolutely.

Q Now your testimony is clear that you did not know to a certainty but you did suspect that among the range of cargoes that might have been involved here was arms; is that correct?

A That was a suspicion. I have no evidence to that other than interpreting the intelligence, which at

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that point was not specifically related to a specific flight at that stage.

Q Now you also were working with Mr. Clarridge on that; is that correct? You were assisting him in this?

A The only thing I was doing was providing some intelligence to him, and I sat there while this dialogue went on and these activities went on with Mr. Clarridge, Colonel North and [redacted] yes.

Q If during that period of time you had suspected that Mr. Clarridge was not witting of the suspicions that you had with respect to the cargo, what, based upon your past experience as a CIA employee, would you have done with this senior officer?

A Well, this man is very senior, very intelligent, very able, very analytic, and so I thought the record would sort of speak for itself on this issue. I didn't have to pull him aside and explain to him what was going on. He may well have had the same assumption that I had.

Q Let me ask the question differently. Were you assuming that he shared your suspicions?

A I didn't dwell on the issue, and I don't want to be evasive. I want to be candid and forthcoming. I assumed that he also had doubts about what Colonel North

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was saying that morning. I didn't ask him, to the best of my recollection. He is a very professional, very analytic officer.

Q But as an intelligence officer part of your obligation is to inform DO persons who rely upon intelligence advice; is that not correct?

A Yes. They rely upon intelligence collected and analyzed and estimated.

Q So if you reached the conclusion that Mr. Clarridge had simply accepted Colonel North's statement that this was oil-drilling equipment, would you have felt an obligation to share your suspicions with him that it was perhaps not oil-drilling equipment?

A If I felt there was anything. I guess I didn't -- I did not focus on the issue so much, but if I felt that for some reason he was totally, had totally gathered -- if he did not at some point have some suspicions about the content of the cargo, I probably would have raised that with him. However, we weren't focused so much on the cargo, and Mr. Clarridge was focused on getting flight clearances and getting a proprietary engaged.

But you are putting me, in trying to answer questions -- if I felt that for some reason he actually needed to know that information, I would have certainly

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told him. But at that point I assumed he had the same assumptions I had. And I can't recall exactly. I can't recall any specific conversation about the cargo except I recall when I went in before Colonel North arrived, I recall he said the NSC has a problem and I am trying to work the problem for them, that they want to lease some aircraft for a special mission.

And I said well, I think this background may help you. And then I described the Benjamin Weir release,

And at that point Mr. Clarridge said it had to do with oil-drilling equipment, and I don't recall precisely what conversation ensued, but I assumed that after reading that and particularly after Colonel North came and again asserted it was oil-drilling equipment, I didn't have to tell Mr. Clarridge that perhaps this was a cover story of the NSC.

Q Because you felt that, like you, he was sufficiently versed to detect that?

A Yes. Am I candid enough?

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Q Yes.

A I don't know what was in Mr. Clarridge's mind.

Q I understand that. But, you see, what I'm trying to get at -- let me go off the record just a second.

(A discussion was held off the record.)

MR. WOODCOCK: Mr. Allen, once again the clock has conspired against us and we have reached the end of the questioning. I appreciate again your patience. I'm sorry to have kept you waiting here. But I will conspire here with Mr. Kerr on whether we need to bring you back again, but I don't think it will be before your much-needed vacation and well-earned vacation.

THE WITNESS: Thank you, sir.

MR. KERR: Mr. Allen, we may be able to avoid this all again.

(Whereupon, at 12:05 p.m., the taking of the instant deposition ceased.)

_____

Signature of the Witness

Subscribed and sworn to before me this _____ day of _____, 1987.

_____

Notary Public

My Commission expires: _____

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CERTIFICATE OF REPORTER

I, Raymond R. Heer III, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Raymond R. Heer III

NOTARY PUBLIC
DISTRICT OF COLUMBIA

My Commission expires: May 31, 1989

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The Director of Central Intelligence
Washington, DC 20505

NIC 01799-85
4 April 1985

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

Allen Ex #1

FROM: Graham E. Fuller
National Intelligence Officer for NESA

SUBJECT: Iranian Politics

1. We are moving toward an extremely delicate and complex phase of Iranian politics. It could represent a turning point for US interests--for better or for worse. As Khomeini's grip loosens and Iran's economic problems increase, factionalism is growing and the war continues to be a losing prospect for [illegible]--all heightening the chances for evolving chaos or even some sort of dramatic change. If Khomeini were to die soon, the most probable scenario for succession would still involve the emergence of a strong clerical figure or someone with strong military or Revolutionary Guard backing close to the clerics. The longer Khomeini moves towards a prolonged hard struggle for succession becomes, however, the messier the

[redacted]

2. 1979 All Over Again? As the radical clergy watches [illegible] grip lessening and unrest growing, it will be nervous about [illegible] future--especially in view of some of the support which Kh[illegible]nt to the more moderate elements in the past several months--[illegible]te h[illegible] continued support for the war.

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Partially Declassified/Released on 26 Jan 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

This Memo is Classified SECRET in its entirety.

CL BY [illegible]
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-- There is a distinct possibility that the radical clergy may seek to replay the hostage crisis of 1979 in which, by a broad attack upon the US, they were able to galvanize Iranian internal politics, displace the moderates, and seize power. Might the radical clergy not seek direct attack upon American interests once again--perhaps in the very expectation that the US might strike back at Iranian territory proper, thereby polarizing the internal power struggle and strengthening the radicals?

3. Who Gets to Tehran First? The respective positions of the USSR and the US in the Iran-Iraq war are particularly anomalous. Rarely do the US and the Soviet Union end up--even for tactical reasons--on the same side of [redacted] for international conflict where the stakes are so high [redacted] we are both excluded from Iran. But it is only a matter of time before one or the other of us finds the opening it seeks in Iran.

[redacted]

5. I would guess the Soviets are best served by allowing the clerical regime to continue to crumble until the situation is open enough for the other Iranian actors described above to play a role. Despite growing restiveness in Iran we are not yet in that stage--but that stage could come more swiftly than we realize.

6. The US faces a serious dilemma: the actions of Iranian radicals may compel the US to treat very roughly a regime which c[redacted] collapse, possibly opening the way to a slide to the left and a m[redacted]et gain. We will have to balance the costs of defending US credi[redacted] commitment in the face of terrorist attack against the [redacted] geostrategic gains to be won or lost for influence in [redacted]

Graham [redacted]uller

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National Intelligence Council

NIC 02545-85
17 May 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Graham E. Fuller
National Intelligence Officer for NESA

Partially Declassified/Released on under provisions of E.O. 12356 by K. Johnson, National Security Council

SUBJECT: Toward a Policy on Iran

1. The US faces a grim situation in developing a new policy toward Iran. Events are moving largely against our interests and we have few palatable alternatives. In bluntest form, the Khomeini regime is faltering and may be moving toward a moment of truth; we will soon see a struggle for succession. The US has almost no cards to play; the USSR has many. Iran has obviously concluded that whether they like Russia and Communism or not, the USSR is the country to come to terms with: the USSR can both hurt and help Iran more than the US can. Our urgent need is to develop a broad spectrum of policy moves designed to give us some leverage in the race for influence in Tehran.

— The specter of the US and the USSR standing on the same side of a major international strategic conflict, like the Gulf war, is extraordinary. It is also an unstable situation and cannot persist for long. We are both on Iraq's side because we lack our preferred access to Iran. Whoever gets there first is in a strong position to work towards the exclusion of the other.

— [redacted] continues to monitor Soviet progress toward developing significant leverage in Tehran. We must monitor that progress--but we also already know where Moscow wants to go and that it will devote major resources to claiming th[redacted]tant prize. Even if Moscow's progress is uneven, we ne[redacted]velop a strategy in response.

2. The Twin Pillars of US Policy. US policy at pres[redacted]om[redacted]n to two major pillars.

-- We will respond with force directly if Iran sh[redacted] another terrorist outrage against the US.

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-- We seek to choke off all arms supplies to Tehran wherever possible.

3. Terrorist Attack: We can and must have some policy against terrorism. We must also recognize that this cannot repesent the bulk of our policy toward Iran. Furthermore, radical forces in Tehran may welcome a direct confrontation with the US--including US military retaliation--in the hopes of replaying its extraordinarily successful gambit against the US in the 1979 hostage crisis.

— During that crisis the radicals galvanized the Iranian atmosphere, polarized all views, rendered the moderates irrelevant, and proceeded to eliminate them in the supercharged atmosphere of confrontation.

These radicals may seek to do so again in the expectation of doing away with any opportunity the conservatives may have to reach accommodation with the US.

[redacted] While we cannot allow terrorism to go unchecked, we must balance the terrorist policy against the potential stake in Iran [redacted]

4. Choking off Arms Supplies. There are good reasons to seek to choke off Soviet arms supplies to Iran. It may be one way of bringing an end to the war which only Iran seeks to perpetuate. If the embargo is successful, however, it could also have the effect of driving Iran into a corner where the Soviets will be the only option left.

— We first raised (about 18 [redacted] ago,) this theoretical possibility of Soviet opportunity stemming from the US arms embargo. The possibility is no longer theoretical. Iran has, in fact, now begun moving toward some accommodation with the USSR. Meanwhile, the USSR can afford to play it cool and set its own terms, relatively confident that the US cannot steal a march on it.

5. These two pillars of US policy--both sensible while Iran was in a vacuum and Khomeini was strong--can no longer serve as the primary vehicle for US policy toward Iran. Both are entirely negative in nature and may now serve to facilitate Soviet interests more than our own. We must develop a more positive set of plans involving a much broader spectrum of considerations and actions.

— It is easy to criticize our present position, and I do not mean to suggest that any easy answers exist. It is imperative, however, that we perhaps think in terms of a border [redacted] and perhaps

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slightly riskier policy which will at least ensure greater US voice in the unfolding situation. Right now--unless we are very lucky indeed--we stand to gain nothing, and lose more, in the outcome of developments in Iran, which are all outside our control.

6. Some Broader Policy Considerations. Nobody has any brilliant ideas about how to get us back into Tehran. Nearly all tentative proposals require uncomfortable choices and clear-cut down sides. Nonetheless we need to review a broad spectrum of ideas. I submit below a range of thoughts, carrots and sticks,--all of which are flawed--but which might assist in sparking better and more refined positions to meet our needs.

a. Work with Iraq to bring Tehran to its knees. We could consider moving much closer to Iraq to bring the war to a quicker end--particularly by way of encouraging crippling attacks on Kharg Island and key Iranian economic facilities. This would serve to put intolerable pressure upon the regime, perhaps damaging the hardliners, maybe even leading toward the collapse of the clerics. It would probably bring the war to a de facto conclusion. Disadvantage: We have no knowledge about who would emerge victorious from such rumbles; it could well be radical elements filled with hatred for the US. The radicals have most of the guns. It might ensure Tehran's rapid accommodation with Moscow.

b. Open up Iran to friendly state influence. We could tell all our European allies, as well as Israel, Turkey, Pakistan, China, Japan, Brazil and Argentina, Western influence must develop a paramount position during this critical period in Iran. We would remove all restrictions on sales--including military--to Iran. Our only proviso would be the request that truly strategic items which could immediately affect the conduct of the war be avoided. (In fact, in the short term, few items would really reverse the course of the war.) Such a step would effectively preclude Iran turning to or needing the USSR. Iran's diminished isolation might encourage the emergence of Iran's moderates into a greater policy role. Disadvantage: Possible encouragement for Iranian perpetuation of [redacted].

c. Go after Iran's radical allies. While direct US [redacted] against Iran could bring about the very thing we wish to [redacted] Soviet domination of Iran, direct attack on Iran's [redacted] allies, Syria and Libya, would probably sober Ir[redacted] w[redacted] its support from those quarters. It would be a [redacted] blo[redacted] the "radical entente." Qadhafi in particular [redacted]

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We have every reason in the world to want to see Qadhafi collapse. Bold US policies leading to his downfall would have chilling effect on Iran and shake its confidence that the correlation of radical forces was with them. (Pressure on Syria would have less effect and could ideally only come from Israel--which is hardly interested in a confrontation with Syria at this point.) This "indirect strategy" would demonstrate US resolve against radicalism without directly pushing Iran in the wrong direction. Unlike Iran, we have nothing to lose in Libya and everything to gain.

d. Battening down the hatches in Turkey and Pakistan. Assuming that we may be heading for a major Soviet gain in Iran, we may need to greatly step up our ties with Turkey and Pakistan. Turkey is at the heart of US ability to respond to any future Soviet military action against Iran. Both countries would be profoundly affected by an Iranian lurch in the Soviet direction. [redacted] Turkey is even more important than Pakistan because of its NATO ties, control of the Bosphorus and contiguous border with the Soviet Union. These states must be reassured that we are deeply committed to their support even if we cannot control a negative course of events in Iran. [redacted]

e. Getting the Message Through to Tehran. Most analysts believe that nearly all elements in Iran are convinced that the US is implacably hostile to the Iranian regime. In the ugly atmosphere generated by Iraqi terrorism and the war, the US has felt it inappropriate to express words of reconciliation to Iran in general. There is [redacted] for such broad, public statement on a regular basis to ensure Iranian moderates--and opportunists--that we are not dedicated to the overthrow of the Islamic Republic or the collapse of Iran. This in itself helps play against the barrage of propaganda from the top Iranian leadership which wishes to portray the US as the implacable enemy. The hostage crisis is far past and anti-American mob scenes are less exhilarating for the Iranian public than they were in the heady days of the new Republic.

f. Massive reassurance to Iran of US intentions. Mere [redacted] not be enough to change the tide of moderate opinion [redacted] in Iran about the US. We could reemphasize this [redacted] if coupled with demonstrations of goodwill through [redacted] the Sixth Fleet from the vicinity of the Persian [redacted] placing the US military presence in the Gulf on [redacted]

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profile. Disadvantage: We might persuade Iranian radicals that we had given up, or were paper tigers, or both. Our Arab allies might lose confidence. On the other hand, such gestures could be quickly revoked if Iran itself were not forthcoming or if the danger from Iraq arose. In any case, there are major benefits in making a series of positive gestures toward Iran indicating basic goodwill--even if not immediately reciprocated by Iran. The non-radicals will get the message.

g. Bargaining with the USSR. We have little leverage here. However the USSR in its public statements constantly stress that the US is bent on placing Pershing missiles in Israel, Pakistan and Turkey. In theory these are bargaining chips which could be "given away" at no cost in exchange for some "understanding" over Iran. The main problem is that we can hardly warn the Soviets against establishing better ties with Tehran, or even supplying arms to Tehran. These are not belligerent acts in and of themselves and our major problem in Iran is not Soviet invasion but rather support to radical forces who might move the country closer to Moscow.

7. On reflection I believe that the option most constructively oriented is that of inserting Western allies and friends into Tehran quickly through the arms door. It would meet with broad support by all of them and is a "positive" policy. The Arabs will be less happy--especially Iraq. But most Gulf Arabs want a de-fanged Iran and would not object to better Western ties in Tehran if it leads to moderation.

-- The risk of perpetuating the [redacted] is there. But the Western card is easily undertaken and could be coupled with other US positive gestures discussed above. We need not rule out sticks--especially those against Iranian allies like Qadhafi. Diminished political, economic, and military isolation could have much positive effect on a shaky Tehran regime--especially if some quid pro quo was sought from Iran by our allies in moving into Iran in a big way.

8. Our tilt to Iraq was timely when Iraq was against the ropes and the Islamic revolution was on a roll. The time may now have come to tilt back--at least via our allies--to ensure the Soviets lose both [redacted] action and potential access to the clergy.

Graham E. Fuller

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Talking Points for the DCI

C .2248

22 May 1985

Iran-Soviet Relations

[redacted] for over a year Iran has sought improved relations with the USSR and recently has accelerated these efforts.

[redacted] indicate that Tehran for some time has wanted to expand contacts and dampen the animosities resulting from the crackdown on the Communist Tudeh Party and the explusion of Soviet diplomats in 1983.

Iran redoubled its efforts in March after the failure of its latest offensive against Iraq.

-- Growing domestic unrest, war weariness, and a deteriorating economy encouraged the Iranians to seek a way out of their diplomatic isolation.

-- They hope to gain additional arms and spare parts, economic aid, and Soviet pressure on Iraq. The Soviets have delivered limited amounts of small arms to Iran since the war began and have allowed their East European allies to provide larger quantities of such arms.

Last month, Gromyko met an Iranian deputy foreign minister in Moscow. The two sides agreed to future high-level political and economic exchanges.

-- The Iranians also reportedly agreed to reopen the Iranian-Soviet gas pipeline, although more bargaining probably is required on pricing.

-- Moscow, meanwhile, agreed to grant Iran special permission for use of Soviet airspace for flights to Libya and Syria.

Despite these positive developments, a major upturn in relations, including substantial arms transfers, is unlikely.

— Moscow will not want to jeopardize its relations with Iraq by providing major weapons systems, but probably calculates that Baghdad's dependence on Soviet arms is likely to limit its reaction to a modest improvement in Soviet-Iranian relations.

Moscow apparently believes it has the most leverage in the [redacted] relationship with Tehran and seems determined to gain as many [redacted] as possible.

-- Iran has curtailed its anti-Soviet rhetoric and whitewashed [redacted] from the walls of the Soviet Embassy.

[redacted]

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WARNING NOTICE
INTELLIGENCE SOURCES

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TOT: 03[redacted]JUL 85 DIRECTOR 444984

S E C R E T
STAFF-O[redacted] DIRECTOR 444984
TO: IMMEDIATE[redacted]

SUBJECT: POSSIBLE CONTACT WITH IRANIAN GOVERNMENT REPS

1. THROUGH A COMPLEX SERIES OF LEADS WE HAVE BEEN PRESENTED WITH AN ALLEGED OPPORTUNITY TO MEET WITH REPRESENTATIVES OF THE IRANIAN GOVERNMENT. THESE REPRESENTATIVES PURPORTEDLY ARE CAPABLE OF SECURING THE RELEASE OF THE SEVEN HOSTAGES. WHILE WE ARE SKEPTICAL THAT THIS IS A BONA FIDE INITIATIVE WE MUST FOLLOW-UP UNTIL WE ARE MORE CONFIDENT ABOUT WHAT WE ARE DEALING WITH.

2. THE ALLEGED REPRESENTATIVES ARE [redacted] AND A MANOUCHEHR ((LNU)), A RANKING IRANIAN INTELLIGENCE OFFICER. AN INTERMEDIARY HAS ADVISED US THAT WE CAN CONFIRM THE FULL IDENTITY OF THE LATTER [redacted]

4. FYIO: MOS SUSPECTS MANOUCHEHR [redacted] IDENTICAL WITH [redacted] WE NOTE [redacted] IS RESIDENT IN EUROPE. WE ALSO NOTE THAT ALL OUR INFORMATION [redacted] STEMS FROM [redacted] REPORTING. AS YOU KNOW, WE BEL[redacted] TO BE A FABRICATOR AND HAVE CIRCULATED A BURN NOTICE ON HIM (DIRECTOR 023056).

5. PLEASE ADVISE. GREATLY APPRECIATE ASSISTANCE.

6. FILE: [redacted] DECL OADR DRV HUM 4-82. ALL SECRET.>
ORIG: [redacted] AUTH: [redacted] COORD: [redacted]
[redacted] U: REL: [redacted] CL BY [redacted]

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Partially Declassified/Released on 26 Jan 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

REVIEWED FOR RELEASE
Date 22 March 93

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[redacted]

CIIN 1034

[redacted] 9 Jul 85

11 Jul 85

Allen Ex. #4

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Arnie--

Update on the Hashemi escapade. As of last night, [redacted] was still negative about the two names offered - [redacted] and Manachehr (intell officer).

It turns out [redacted] that he was a fabricator. According to [redacted] our only knowledge of [redacted] in the biographic files is through reporting from Manachehr who claimed, among other things, that [redacted] "was the individual responsible for the kidnapping of William Buckley". In other words, CIA has been around this same issue [redacted] earlier and had come to the conclusion that he was not reliable. [redacted] inclination, thus, was to recommend to Casey that the Hashemi connection be dropped. He said they would do nothing, however, pending further word [redacted] This issue may come up at the 3:00 pm meeting with [redacted]

Our Manachehr, the one Steve Grummon resurrected from his files, is another one apparently (see attached TD, part 2D).

If they do want to kill the initiative, it would be worth asking if they are sure that their Manachehr is the one in question, i.e., it's a fairly common name and how do they know its the one who was the fabricator? We have not been able to identify [redacted] variously described as [redacted] or [redacted]

Peter

REVIEWED FOR RELEASE
Date 27 March 87
HSC & SSC

CIIN 1033 UNCLASSIFIED DO [redacted]

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12 Jul 85

Allen Ex. #5

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[redacted]

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CITE [redacted]

TO: IMMEDIATE DIRECTOR INFO [redacted]

Partially Declassified/Released on 26 Jan 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

4988

SUBJECT: POSSIBLE CONTACT WITH IRANIAN GOVERNMENT REPS

DO JU5159

REFS: A. [redacted]

B. DIRECTOR 444984

03 01/30

1. ON 12 JULY [redacted] MET WITH [redacted] AND INFORMED HIM AS FOLLOWS: WE HAVE BEEN PRESENTED WITH AN OPPORTUNITY TO MEET WITH REPRESENTATIVES OF THE GOVERNMENT OF IRAN. THESE REPRESENTATIVES SAY THEY ARE IN A POSITION TO OBTAIN THE LIBERATION OF THE SEVEN AMERICAN HOSTAGES. THOUGH WE ARE SKEPTICAL WE FEEL WE MUST FOLLOW UP. THE REPRESENTATIVES ARE [redacted] AND A CERTAIN MAHOUCHER, SUPPOSEDLY A HIGH-RANKING IRANIAN INTELLIGENCE OFFICER. AN INTERMEDIARY HAS INFORMED US THAT WE CAN CONFIRM THE IDENTITY OF MAHOUCHER [redacted]

[redacted]

REVIEWED FOR RELEASE
Date 8 March 88
NSC & SSC

5. FILE: [redacted] DECL OADR DRV-HUM 4-92. ALL SECRET.

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12 Jul 85

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TOT: 0[redacted] JUL 85 DIRECTOR 444984

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STAFF-0816282-DIRECTOR 444984
TO: IMMEDIATE
[redacted]

Partially Declassified/Released on 26 JAN 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

4989

SUBJECT: POSSIBLE CONTACT WITH IRANIAN GOVERNMENT REPS

1. THROUGH A COMPLEX SERIES OF LEADS WE HAVE BEEN PRESENTED WITH AN ALLEGED OPPORTUNITY TO MEET WITH REPRESENTATIVES OF THE IRANIAN GOVERNMENT. THESE REPRESENTATIVES PURPORTEDLY ARE CAPABLE OF SECURING THE RELEASE OF THE SEVEN HOSTAGES. WHILE WE ARE SKEPTICAL THAT THIS IS A BONA FIDE INITIATIVE WE MUST FOLLOW-UP UNTIL WE ARE MORE CONFIDENT ABOUT WHAT WE ARE DEALING WITH.

2. THE ALLEGED REPRESENTATIVES ARE [redacted] AND A MANOUCHEHR ((LNU)), A RANKING IRANIAN INTELLIGENCE OFFICER. AN INTERMEDIARY HAS ADVISED US THAT WE CAN CONFIRM THE FULL IDENTITY OF THE LATTER [redacted]

4. FYIO: MOS SUSPECTS MANOUCHEHR IS IDENTICAL WITH [redacted] STUDENT WE NOTE [redacted] STEMS IN EUROPE. WE ALSO NOTE THAT ALL OUR INFORMATION FROM [redacted] REPORTING. AS YOU KNOW, WE BELIEVE [redacted] TO BE A FABRICATOR AND HAVE CIRCULATED A BURN NOTICE ON HIM (DIRECTOR 023056).

5. PLEASE ADVISE. GREATLY APPRECIATE ASSISTANCE.

6. FILE: [redacted] DECL OADR DRV NUM 4-82. ALL SECRET.>
ORIG: [redacted] AUTH: [redacted] COORD: [redacted]
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END OF MESSAGE

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Date 27 March 97
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7 October 1985

Allen Ex. #7.

MEMORANDUM FOR: [redacted]

VIA: Office of General Counsel
Central Intelligence Agency

Partially Declassified/Released on 26 Aug 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

FROM: Charles E. Allen
National Intelligence Officer for Counterterrorism
and Narcotics

I 0644

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SUBJECT: Background on U.S. Initiative to Secure Release of American Hostages

1. The following is provided for your background on an extremely sensitive White House initiative to secure the release of the American hostages held by the Iranian-backed Hizballah organization in Lebanon. This initiative has been underway for some months and is being controlled directly by the National Security Council (NSC). I have served the NSC as the focal point for coordinating Intelligence Community collection requirements to support the White House initiative.

2. On 12 September, I was requested by LTC Oliver North, Deputy Director of Political/Military Affairs of the NSC, to begin Intelligence Community [redacted] against certain Iranians who were involved with the White House and who were in contact with the Lebanese Hizballah. Over the next two days I was able to secure sufficient information to identify [redacted] two Iranians who were the key players in the White House initiative. One of the Iranians was [redacted] the other individual was named [redacted] whose first name is unknown. [redacted] on behalf of the Iranian government [redacted] the White House was able to gain critical insights into the attitudes of these Iranians toward the release of the American hostages and the relationship and influence that Iranian officials have over Hizballah personnel who are holding the hostages. The release of Rev. Benjamin Weir was effected by the White House working through intermediaries who were in direct contact with [redacted] who in turn was dealing directly with [redacted] Following the release of Weir, [redacted] indicated, again through intermediaries, to the White House that other American hostages might be released in the coming days. [redacted]

UNCLASSIFIED [redacted]

SC 8357-85
Copy 1 of 2

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3. On 28 September I was informed by the NSC (LTC North) to again coordinate [redacted] and analysis of the [redacted] connection because the White House had received information that another hostage, probably William Buckley, would be released sometime between 3 and 5 October. This [redacted] effort was undertaken [redacted] The announcement by the Islamic Jihad on 3 October that it planned to execute William Buckley created a new dimension in the continuing contacts between [redacted] and [redacted]. The White House through intermediaries indicated to [redacted] that it was important that he come to the US in order to determine whether potential still exists to secure the release of Buckley, assuming that he had not been killed, or of the remaining hostages held by Hizballah. The White House informed me on 5 October that [redacted] would arrive on 7 October on [redacted] Airport and that [redacted] would be staying in the [redacted] Hotel in Washington. Also joining [redacted] for these meetings was one [redacted], an Israeli, who has served as one of the intermediaries for the White House in dealing with [redacted], allegedly a former [redacted] reportedly has a financial relationship with [redacted] and has been involved in joint ventures with [redacted] in obtaining munitions for the Government of Iran. [redacted] also will be staying at the [redacted] Hotel. [redacted] The NSC stated that this was perhaps our last opportunity to utilize this channel to determine whether William Buckley is still alive (we now have strong evidence that he is dead) and whether there are any opportunities remaining to secure the freedom of the other hostages [redacted]

0645

4. From my perspective and based on the analysis of the intelligence collected thus far [redacted] beyond any question is an agent of the Iranian government [redacted] is an influential member of the Iranian government [redacted] My knowledge of [redacted] only comes from a White House official who assures me that [redacted] has been an important intermediary in this

SECRET [redacted]

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initiative and that he too has financial arrangements with [redacted]. The meetings tra[illegible]ill occur this week here in Washington with [redacted] are considered pivotal by the White House as to whether this initiative should be pursued further. The hostages believed to be held by Hizballah are as follows: Father Lawrence Jenco, a Roman Catholic priest; David Jacobsen, director of Beirut's American University Hospital; Thomas Sutherland, Dean of Agriculture at the American University; and Terry Anderson, chief AP correspondent in the Middle East.

Charles E. Allen

I 0646

DECL OADR
CL BY [redacted]

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TOP SECRET/[redacted]

19 Sep 85
N 6224

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THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council 19 September 1985

Oliver North
NSC Staff
392 OEOB

SUBJECT: Report of Possible Iranian Arms Deal

Attached for your information is a response from CIA's Directorate of Intelligence as a result of my request for information on any impending arms negotiations between Tehran and possible international arms dealers for [redacted] The Agency has no information that such an arms procurement deal is in the offing. Agency analysts suspect that this could be a gray market arms scam and point out that Iran has been the target of a number of such scams in recent years. Agency analysts believe that if a sovereign state is involved in such a negotiation, [redacted]

Charlie
Charles E. Allen

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under provisions of E.O. 12356
by K. Johnson National Security Council

N 2232
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N 6225

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18 September 1985

MEMORANDUM FOR: Charles Allen
National Intelligence Officer for
Counterterrorism

FROM: [redacted]
Office of Global Issues

SUBJECT: Recent Iranian Arms Procurement (C)

1. This responds to your request of [redacted] for background information on possible arms negotiations between Iran and Western arms dealers. Based on available information, we cannot confirm that a Western arms delegation will travel to Iran in late September in order to conclude a contract [redacted] Morever, even if we had information that such a delegation had a trip to Iran in the offing, we would strongly doubt its ability to provide large quantities of such sophisticated ordnance. (S NF)

2. If a delegation of arms dealers in fact plans to visit Iran and is acting on its own, the group is almost certainly mounting a scam designed to obtain a large advance downpayment from Tehran. The dealers might either abscond with this money or attempt to substitute other, more obtainable ordnance at a future date. Iran has been the target of innumerable gray market arms scams since it severed its traditional arms procurement channels shortly after the revolution. (See attached memorandum on Gray Market Arms Scams.) Lately, however, Iran has exercised considerable caution in its gray market activities. Tehran now requires that the seller post a sizeable performance bond and insists on prior inspection and full delivery of all contracted items before paying any monies. (S NF)

3. There is a possibility that the delegation is not acting on its own but merely serving as a front for a government which wishes to divert arms to Iran while maintaining an element of deniability. We believe that the current soft international arms market has led a number of Western governments to conclude that they can no longer afford to ignore a lucrative--and seemingly insatiable--arms market like Iran. While such governments may be

CL BY [redacted]
DECL OADR
DER FM [redacted]

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N 6226

increasingly willing to supply Tehran indirectly with small arms, ammunition, spare parts, and "non-lethal" military ordnance, none, in our view, would supply large quantities of sophisticated US-origin missiles to Iran. Such action would endanger future arms purchases from the United States, and the weapons would have to come from the country's own current inventory.

[redacted]

(S NF)

4. We have attached several typescripts on the subject of Iranian arms procurement for your information. Should you have any further questions, please contact [redacted] (C)

[redacted]

Attachments: As stated

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DOCUMENTS

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N 6246

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ALLEN Ex. #9 (5 Pgs)

(C 2349 - C 2353)

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[redacted]

The Director of Central Intelligence

Washington, D.C. 20505

26 NOV 85
86-4068M-1

Allen Ex. #10

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26 November 1985

1 0400

MEMORANDUM FOR: Vice Admiral John M. Poindexter, USN
Deputy Assistant to the President
for National Security Affairs

SUBJECT: Presidential Finding on Middle East

Pursuant to our conversation this should go to the President for his signature and should not be passed around in any hands below our level.

William J. Casey

Attachment:
As stated

CL BY [redacted]
RVW OADR

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Finding Pursuant to Section 662 of the Foreign Assistance Act of 1961, As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

1 0401

I have been briefed on the efforts being made by private parties to obtain the release of Americans held hostage in the Middle East, and hereby find that the following operations in foreign countries (including all support necessary to such operations) are important to the national security of the United States. Because of the extreme sensitivity of these operations, in the exercise of the President's constitutional authorities, I direct the Director of Central Intelligence not to brief the Congress of the United States, as provided for in Section 501 of the National Security Act of 1947, as amended, until such time as I may direct otherwise.

SCOPE	DESCRIPTION
Hostage Rescue - Middle East	The provision of assistance by the Central Intelligence Agency to private parties in their attempt to obtain the release of Americans held hostage in the Middle East. Such assistance is to include the provision of transportation, communications, and other necessary support. As part of these efforts certain foreign materiel and munitions may be provided to the Government of Iran which is taking steps to facilitate the release of the American hostages. All prior actions taken by U.S. Government officials in furtherance of this effort are hereby ratified.

The White House
Washington, D.C.

Date:

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CIIN NO. 10 TITLE John McMahon's memo for the record of December 7, 1985, concerning assistance to "Secord."

1 0392

DATE	DESCRIPTOR - TO/FROM
Dec 85	MFR (NSC Mission) John N. McMahon

Allen Ex. # 11

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UNCLASSIFIED 86-4068

7 December 1985

I 0393

MEMORANDUM FOR THE RECORD

SUBJECT: NSC Mission

1. On Saturday, 23 November 1985, Ed Juchniewicz asked me if I was aware of all the activity transpiring on the effort to get the hostages out. He showed me a cable to [redacted] asking that we pass a message to the charge from the Deputy Assistant to the President for National Security Affairs. The message assured the charge that only the Secretary of State and Ambassador Oakley were aware of the operation. I told Juchniewicz that I was unaware of the specifics of the operation but due to the sensitivity of the operation, it was appropriate that we pass correspondence between the NSC and the Ambassadors overseas, but only communications, that we could not be involved without a Finding.

2. On Monday, the 25th of November, while visiting the Office of the [redacted], was present and had given Clair George a Spot [redacted] on a flight that [redacted] had made in support of the NSC could become involved in any implementation of this mission without a finding. Mr. Juchniewicz explained that we did not make the arrangements. When General Secord visited the Agency he tried to get [redacted] on airlines that might be available to move equipment to the Near East in a secure fashion. We told him we did not have any such airlift capability. However, Mr. Juchniewicz said it was pointed out to General [redacted] and that there was a commercial airlift that might do it owned by [redacted]. General Secord then took it from there and made arrangements for a flight on a strictly commercial basis.

3. Somewhat distressed at this turn of events, I immediately briefed our General Counsel after confirming with Dewey Clarridge our involvement. I instructed the [redacted] personnel to immediately go over and brief the General Counsel and so advised the General Counsel at 2115, the evening of 25 November. He informed me later that night that a Finding would be required, not so much from the airlift standpoint, but from our involvement in influencing foreign government officials to assist the operation. A Finding was prepared the next day. The Finding was cleared with the Director who called McFarlane and Don Regan to ascertain that indeed this had Presidential approval and to get assurances that a Finding would be so signed. After repeated calls to NSC personnel on 4 November and during the week of 2 December continuously receiving assurances of the President's intent to sign the Finding, we were informed on 5 December that indeed the Finding was signed. The President directed us not to inform Congress for the reasons of the safety and possible release of the hostages until he so directed.

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The following information comes from an Iranian source whose reporting has proven accurate in the past, who knew the information would reach the American Government.

1. The most dangerous person in the Iranian terror organization in [redacted] He is the representative of [redacted] He he reports directly to Mr. [redacted] and [redacted]

There is currently a terrorist team living in his home, and they have arranged for a quantity of explosives to be delivered there. These explosives are to be used for at least one or three planned contingencies;

--Bomb [redacted] house in [redacted]

--Kidnap or kill 2 [redacted] in [redacted] because they work with [redacted]

--Send a truck with several tons of TNT to an [redacted]

The source has sources of his own [redacted] and stresses that the event of any action against this organization, it would be good protect his people or person.

2. [redacted] heads [redacted] and is the representative of Khomeini [redacted] He is the successor to [redacted] one of the most bloodthirsty of the first wave of revolutionary mullahs.

[redacted] His wife is [redacted] one of the most important ayatollahs in Iran.

[redacted]

He works closely with;

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3. [redacted] This is a friend of the Prime Minister, and is [redacted] He is the head [redacted] He is said to have the capacity to kidnap people and ship them to Teheran [redacted]

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[illegible] assessment of the current internal situation [illegible] of [illegible]

There are three more or less distinct groups. We call them Lines One, Two and Three. All of Iran's internal politics, foreign relations, economic affairs and social conflict can be viewed through the interplay among and between the Lines. The fortunes of individual politicians rise and fall in accordance with these conflicts, and the positions the politicians take and public "images" they attempt to project are often the result of maneuvering to curry favor with one Line or another.

Khomeini has repeated and officially spoken of the need to eliminate this "line playing," which he sees as causing conflict between various groups (the Revolutionary Gurds, the clergy, the military, etc.). He tries to enforce some sort of loose discipline over them, and in truth there are some fundamental principles upon which they are all agreed:

--A theocratic Iran;
--The supremacy of the clergy in all areas of national life;
--No separation between church and state; keep the military out of politics.

Aside from this, there is violent conflict. Each line seeks the total elimination of the other two. While Khomeini lives, the conflict will continue in such a way that one one Line can gain total ascendancy over the others. But once he dies, there will be a savage struggle among the three groups.

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Line Two: the hard-liners

This line is currently the most important within the government and most of the official structures. It is fanatically Moslem in domestic and foreign policy, very "hard line," and unyielding. The leaders of Line Two are also the most active in underground terror operations, both in Europe and in the Gulf region, as well as in Lebanon. It is through this line that financial, ideological and technical support to the various terrorist groups is funneled, as part of their policy of "exporting the Islamic revolution." Line Two is reportedly the designer and operator of the hostage seizure in Tehran.

This line is also Leftist in its domestic policy, and has three times tried to get legislation to nationalize all of the land and investment institutions. These attempts failed, thanks to the strength of Line One in the Council of guardians and the cooperation of Line One with Line Three.

Line One: the Rightist Line

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These people have considerable power in the Islamic Parliament and the Council of Guardians.

[redacted]

They believe in free trade, guarantee of personal wealth and protection of private investments. They are totally against communism and in particular the government of the Soviet Union. They believe in friendly relations with the West and with Islamic governments throughout the world. They are opposed to attempts to export the revolution by force or direct influence, and they believe in the principle of personal freedom within the Rules of Islam and non-interference in the personal lives of the people and neighboring countries.

Line Three: the Balancing Line

This Line controls a majority in the Parliament, conrols the High Council of Justice, the Supreme Court, and has certain influence over the Council of guardians. It has further control over certain revolutionary foundations. This Line normally supports the foreign policy of Line Two (the export of the revolution; terror, etc.) and the domestic policy of Line One.

Key Personalities of the Three Lines

Line One (Right)

[redacted]

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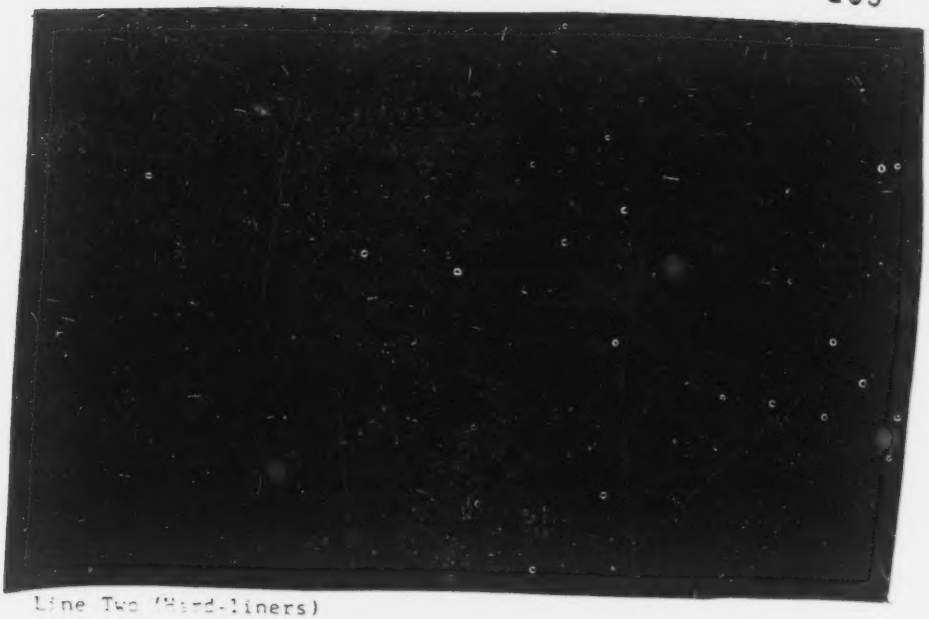

Line Two (Hard-liners)

This Line has the direct and continuous support of Khomeini, without which the other two Lines would make it impossible for them to govern.

Sayed Ali Khamenie (President);

Engineer Mirhussein Mossavi (Premier);

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[redacted]

Line Three (Balancing)

[redacted]

Ayatollah Ali Akbar Hashemi Rafsanjani (Speaker of the House and Khomeini's personal representative on the High Council of Defense);

[redacted]

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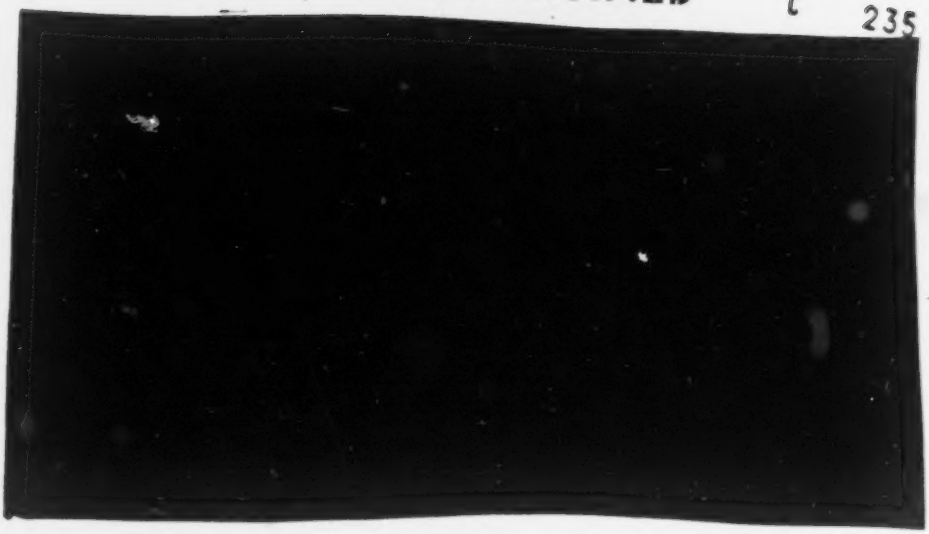

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[illegible] point of an intermediary for discussion with some of the influential leaders. The most important of these responses is writing, laying out the people he believed to be loyal to him, and expressing his plan for cooperation with us.

With the name of God

(Strictly Confidential, please destroy it after reviewing. Date: Tuesday, 15th Tier equal to 27th shavalulmukar am 14:05)

With regards,

Reference to our discussion, from my point of view, if our western friends do not do their utmost to find the best solution, urgently and strongly supporting, assisting, organizing and positively responding to the requirements of those who are in favor of them and have the same establishment of views and thoughts and common goals, aims and interests in Iran (our line) against the line of first line (radical extremists and leftists) who have the support of fanatic religious people along with direct and continuous support of Khomeini, and referring to our long joint border with the Russians and their goals and longstanding wishes, there is no doubt that Iran will face two different possible fates after the death of Khomeini: either it will be another Lebanon, but on a far larger scale and with much more dangerous consequences; or within a few months or maybe latest two years there will be marked gains on benalf of Russian interests.

What is the solution?

Therefore, now without losing time and with special and full attention and complete security, we must bring together and organize in a unified structure the moderates and patriotic and pro-Western elements that are serving within the framework of the present regime, even though they are opposed to many of its objectives.

Although our line is not officially registered itis very powerful in principle, and we are jointly enjoying common thoughts (Note: this means that they meet secretly and maintain contact with each other) and have very close and tight relations within the framework of the Islamic Republic.

[redacted]

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C 237

[redacted]

Now after several years of waiting and expectation, we see the good face of gentlemen and your green light for bringing up the necessary reform to the country with the understanding that from now on, our line has your full support and lacking which we were expecting that for quite a while, so to ensure our line's ascendancy and decisively carry out our coming reforms, we have to have a detailed plan under prudent timing for execution of this operation. Because it is a very important and sensitive subject, I will go to Tehran next week to discuss and review the outcome of our meeting with those who are committed in blood as my brothers and are the top men of our line in several private and joint meetings, and at the latest within a month I will be able to deliver to you the operational planning for complete execution in detail with all necessary support and requirements.

Please find enclosed the names of key positioned men and the institutions of the supporters and operators of our line.

I sincerely request you to destroy the said list for the sake of their lives and saving our common goals, aims and interests.

I thank you in advance and wish you good health and success.

The List:

[redacted]

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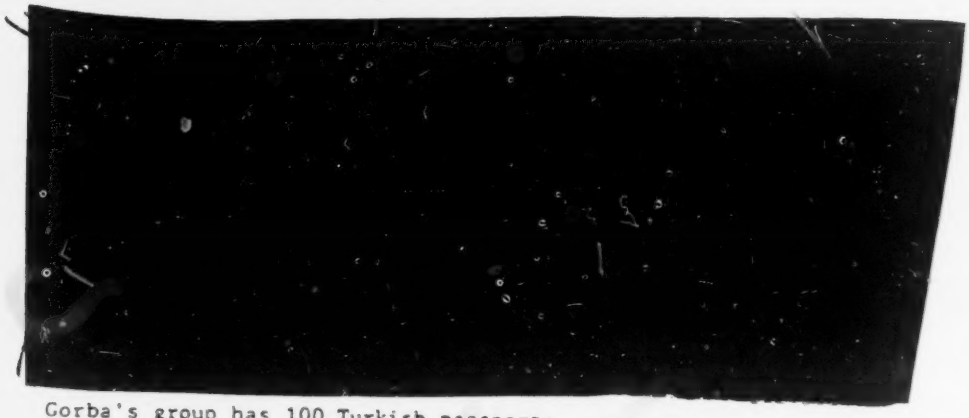
C 239

[redacted]

In addition to his courier service, Gorba also provided the following information:



Gorba's group has 100 Turkish passports, uses some Armenians, has 400 Moroccan passports, tries not to use Iranians for operations, recruits Iraqui and Lebanese Shiites. On the 27th of May got 30 Syrian experts in air defense to come to Tehran (for a total of 52 in all). They are in the market for Irish, Greek, Portuguese and North African passports.

They had an operation in London, and recently 3 Iranians, 1 Brit, 1 Irish were arrested (had been printing Saudi Rials for the Haj).

For this operation they had paid 100,000 pounds down payment. In all, Gorba's group paid 3 million pounds to the IRA for booby traps, bombs and passports.

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[redacted]

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.. Qadaffi is ever-more desperate to demonstrate a real capacity to kill his critics and opponents outside the country, and to this end he has given instructions that al-Mugarieff be murdered.

3. [redacted]

4. [redacted] Consequently, not only Qadaffi's intentions, but also his capabilities would be exposed if the proposed scam is carried out.

5. It is proposed that al-Mugarieff [redacted] be approached and asked to "play dead" for three months. Once his death is announced, the Libyan organization will be identified and rolled up, the money taken, and so forth. Then he can re-emerge, subjecting Qadaffi to substantial humiliation.

6. [redacted]

7.

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22 APR 87
C 6267
Allen Ex. #14

Washington D.C. 20505

22 April 1987

Mr. Arthur Liman
Chief Counsel
Select Committee on Secret Military
  Assistance to Iran and the
  Nicaraguan Opposition
United States Senate
Washington, DC 20510

Dear Mr. Liman:

In response to the Committee's letter of March 5, 1987, enclosed are further copies of documents in which the Committee expressed an interest after completion of a staff review. Copies are also being furnished to the House Select Committee to Investigate Covert Arms Transactions with Iran.

For record-keeping purposes, I have enclosed a copy of a manifest listing the documents by number.

We will continue to provide documents to you as they become available.

Sincerely,

John A. Rizzo
Deputy Director for Legislation
Office of Congressional Affairs

Enclosures:
as stated

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by K. Johnson, National Security Council

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PAGE 1 OF 1

DATE	CIIN NO.	DESCRIPTOR-TO/FROM
ND	2399	DIRECTOR 610726
ND	2400	[redacted]
ND	2401	DIRECTOR 599096
ND	2402	[redacted]
ND	2403	
ND	2404	
ND	2405	DIRECTOR 595135
ND	2406	[redacted]
ND	2407	
ND	2408	DIRECTOR 589755
ND	2409	[redacted]
	2409/A-2422	

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DOCUMENTS

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Allen Ex #15

~~SECRET~~ [redacted]

ACODEASP/WHSR/SOO,GZ/ZZ/327,0127Z/ID:OLN/NIO1,WHSR//

[redacted] HOPE THE PHONE CALL HELPED. IN LOOKING AT YOUR FB MSG I NOTE THAT I DID NOT COVER SOME OF THE DETAILS NEEDED.

[redacted]

WE HAVE INFO [redacted] THAT [redacted] A STRONG CHANCE OF FURTHER RELEASES IN THE NEXT [redacted] DAYS.

WE ARE [redacted] MAKE EVERY EFFORT TO STEER PEOPLE AWAY [redacted] WILL BE FRESH ANY INFO COLLECTED.

FOR YR INFO % CHARLIE'S THE ARRANGEMENT CALLS FOR TWO THINGS IN RETURN FOR THE SHIPMENT BEING MADE BY OUR FRIENDS: RETURN OF THE HOSTAGES AND NO MORE KIDNAPPINGS. [redacted]

PRAY TO GOD THAT THIS WORKS, FOR MANY [redacted] HAVE TAKEN GREAT RISKS TO SEE THIS SUCCEED; MOST OF WHOM KNOW NOTHING OR ONLY PARTS OF THE PUZZLE.

PLEASE SHREAD AFTER READING. WARM REGARDS, NORTH

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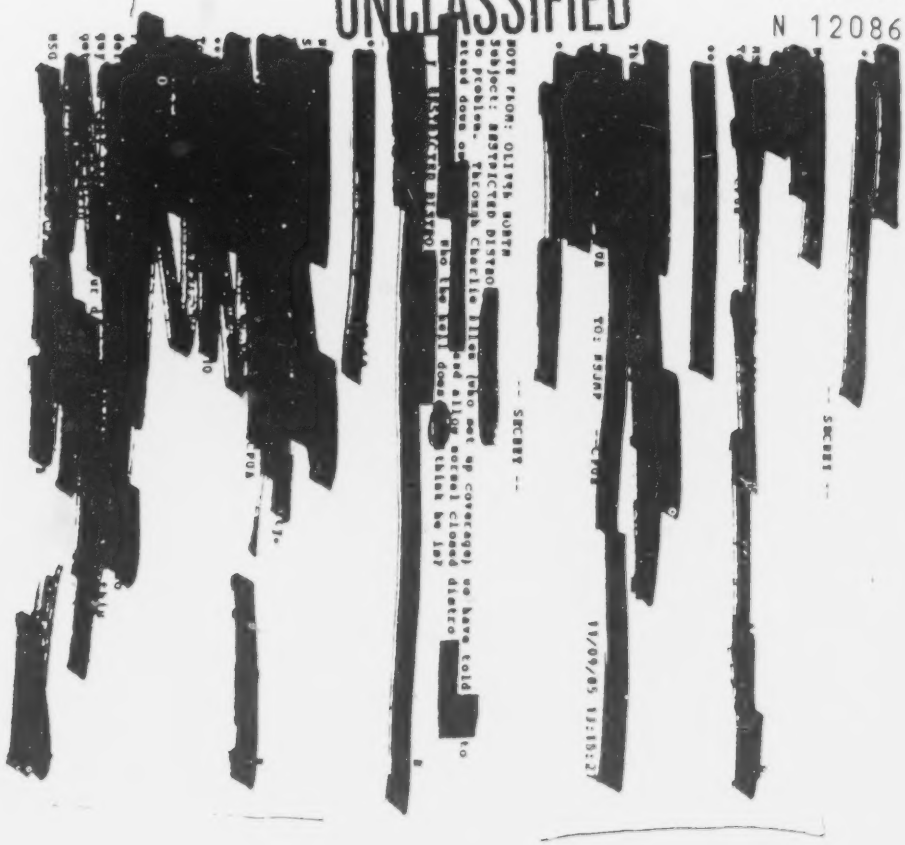

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Allen Ex. #16

Allen Ex. 17
18 Dec 85

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(12)

18 December 1985

MEMORANDUM FOR THE RECORD C 222

SUBJECT: Discussion with Subject Kaheem?

1. Subject requested a meeting with Chief, DO/EUR and NIO for Counterterrorism at 1500 hours on 4 December at Headquarters. He explained that he had just returned from Paris where he had conducted some unspecified business. While there, he acquired certain documents and other information that he believed would be useful in a collection effort that the NIO/CT is conducting on behalf of LTC Oliver North, NSC Staff relating to the US hostages. Subject also proposed a new initiative against President Qadhafi and Libya utilizing certain resources that he claims to have at his disposal. However, conduct of this anti-Libyan effort would require Agency support. Chief, EUR recommended that subject provide details to the NIO/CT so that this could be evaluated upon his return on 13 December from a trip to Europe.

2. Subject proceeded to inform NIO/CT of private efforts that he had undertaken with White House encouragement to establish contacts within the Iranian government--contacts that were helpful in securing the release of Rev. Benjamin Weir in September. He stated that he had urged National Security Advisor MacFarlane (whom he served as a consultant) over a year ago to undertake an effort to establish links into the Government of Iran and that MacFarlane had agreed that secret, indirect contacts could be established. The objective was to build bridges with more moderate elements of the government in an effort to modify the extremist, anti-Western policies of the Khomeini regime and to determine if these moderate elements were strong enough to seize power. Subject stated that he was able to establish contact with some key Iranians utilizing Israeli contacts, including one Col. Jackob Nimrodi, an Israeli who is involved in the international arms market. Subject would not disclose any details on how he met Nimrodi, although the latter allegedly was at one time a Mossad agent. Nimrodi, who has offices in Tel Aviv, London, and New York, introduced him to a Mr. Ghorbanifar, who also uses the pseudonym Asghari. Ghorbanifar, according to Subject, was once an agent for SAVAK, but saw where the Iranian revolution was headed in 1978 and bolted to Khomeini just before the fall of the Shah. Subject describes Ghorbanifar as "a recruited agent" and "a good fellow who is a lot of fun". Ghorbanifar, who has a family in France, apparently also has a girlfriend in California, who is having some difficulty maintaining her alien resident status.

3. [redacted] also known as [redacted]. Subject described [redacted] as "an action guy" whose responsibilities are to procure arms for Iran on the international market; he also claims that [redacted] runs a terrorist

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organization in Western Europe. [redacted] has significant authority in authorizing the procurement of arms [redacted] in the Office of the Prime Minister. Ghorbanifar and [redacted] assert that the activities of Hizballah in Lebanon are managed out of the Prime Minister's office. The line of control goes from that office in Tehran [redacted] also had influence over Hizballah. These Iranian elements know what group holds the American hostages in Lebanon and can secure their release if a decision is made to do so. [redacted] The same holds true for the four remaining hostages held by Hizballah; if it is decided that it is in Iran's interest to secure their release, this can be quickly accomplished.

4. Subject explained that the four hostages were expected to be released just before Thanksgiving because of the Hawk missiles that had been delivered with intermediaries (who include, among others David Kimche of Israel). After delivery of 20 of these missiles, Sutherland, Anderson, Jenco and Jacobsen were to be released in West Beirut; once these four were released, another 100 Hawk missiles would be delivered to Iran. This did not occur because there were disagreements over the particular model of the Hawk missile that was delivered. [redacted] on 28 November was frantically trying to contact Majles Speaker Ransanjani, urging him to reciprocate by freeing the hostages now that the Americans had shown "good faith" by permitting the shipment of Hawks to Tabriz. According to Subject, the disagreement appears to have resulted from a misunderstanding on both sides concerning what specific type of equipment was requested. [redacted] had sent word, again through intermediaries, to MacFarlane that Iran was displeased because it did not get the correct equipment. Subject stated that the Iranians apparently had expected a newer, modified version of the Hawk system. According to Subject, the opportunity to deal with Iran now is "excellent" because Tehran is "desperate" for specific types of equipment such as the TOW anti-tank missiles. He also noted that neither Iran nor its surrogate has attacked or kidnapped any Americans in some months. The crew, for example, that had flown in the Hawk missiles had not only been permitted to return unimpeded but were given "caviar" to eat on their flight out of Iran. These developments auger well for the United States and every effort should be made to exploit Tehran's need for arms in order to build bridges with more moderate elements of the Iranian government and to preclude additional attacks against American interests. This was a long term strategy that the United States--with caution and discretion--needs to pursue.

5. Subject again turned to Ghorbanifar. The latter, at great personal risk, travels to Iran about once a month to discuss weapons procurement. Ghorbanifar has even traveled to Israel--without Tehran's knowledge--to meet with Israeli officials. All told, Subject has had about a dozen meetings with Ghorbanifar in France, Switzerland, Israel, and the United States. In fact, Subject arranged for Ghorbanifar to come to the US in October and actually brought Ghorbanifar into the White House. As a result, Ghorbanifar enhanced his credibility with senior Iranian officials, including Rafsanjani, who believes that Vice President Bush is orchestrating the US initiative with Iran. In fact, according to Subject, Rafsanjani believes that Bush is the most powerful man in the US because in addition to being Vice President, he was once Director of CIA.

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6. Subject stated that Ghorbanifar had met with Agency officials in the past but that he found that CIA officers did not trust him. Ghorbanifar was extremely reluctant to have further contact with CIA and stated that his experiences with CIA "had been bad".

7. Subject stated that Ghorbanifar had proposed to him a "scam" that would discredit Libyan leader Qadhafi. [redacted] the murder of Libyan dissident leader Murgiyah. Ghorbanifar claims that this is an excellent opportunity to plan a "sting operation" against Qadhafi by staging the murder of Murgiyah. [redacted] According to Ghorbanifar's plan, arrangements would be made for Murgiyah to reappear after about three months to expose Qadhafi's intent to murder him. [redacted] Subject urged that the Agency seriously consider exploring the possibility of supporting such an operation.

8. Subject stated that Ghorbanifar probably has a "limited life span" and speculated that the Iranians may eventually take action against him. Nonetheless, it was important to use fully Ghorbanifar's knowledge and contacts at this stage. Subject noted that he would be traveling again shortly to Europe and would be discussing the proposed Libyan operation further with Ghorbanifar. He was hopeful that, in the meantime, some reaction could be obtained from CIA. Subject noted that he had discussed this issue with Oliver North of the NSC who favors the undertaking of this operation.

9. Subject claims that Ghorbanifar has good bona fides with [redacted] and that the risk of running the sting operation is "relatively low". Moreover, in his view, the risk of exposing the US hand was equally small. [redacted]

10. Subject also claimed, without further explanation, that [redacted] "has been recruited" and would do the bidding of those working on freeing the American hostages.

Charles E. Allen

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(20)

Originator's Response to Request?

5 December 1985

MEMORANDUM C 226

SUBJECT: The Iranian Political Scene

1. Since late 1984, the Khomeini regime has been facing--and generally dealing effectively with--its greatest challenges since consolidating control of Iran in mid-1981. Factionalism within the regime and Khomeini's failing health, economic stagnation and dwindling oil income, war-weariness and Iraqi attacks contributed to increased domestic unrest. Popular demonstrations early this year and other signs of dissent have been ruthlessly suppressed, however, and the populace seems cowed. Moreover, Khomeini has intervened in the political process to balance factional interests and has given preference to pragmatic policies that weaken the radicals and strengthen their moderate-conservative opponents. Tehran has maintained oil exports in the face of repeated Iraqi attacks on Kharg Island and ensured that the lower classes who support clerical rule are adequately supplied with necessary goods and services. The regime's principal challenge in the near term will be to manage popular dissatisfaction and prevent it from spawning an effective anti-regime movement. (S NF)

PRINCIPAL PLAYERS

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2. The Iranian leadership is split by ideological, personal, and generational differences. One major faction, the radicals, favors greater government control of the economy, aggressive export of the revolution--including use of terrorism--and continuation of the war. Another main faction, a moderate/conservative coalition, seeks to limit government involvement in economic matters, generally opposes violent export of the revolution, and favors a negotiated end to the war. (S NF)

3. Some of the most important Iranian leaders--such as Khomeini's recently named heir, Ayatollah Montazeri and Consultative Assembly Speaker Rafsanjani--are pragmatists who support the conservatives on some issues and the radicals on others. Khomeini himself has increasingly tended to fit this description and to support a middle course--except on the war, which he insists must continue until Iraqi President Saddam Husayn falls. Besides Khomeini, the major players are:

Pragmatists

[redacted]

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-- Assembly Speaker Rafsanjani, a mid-level cleric in his fifties who has emerged as a skilled politician and is now second only to Khomeini in power.

[redacted]

Radicals

[redacted]

Moderates/Conservatives

[redacted]

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OPPOSITION

4. Exiled opponents of the regime lack sufficient assets to exploit its problems. They have no leader or program capable of challenging Khomeini's charisma and ideology. Exile groups are further limited by restricted contacts inside Iran, minimal popular support, and constant bickering among themselves. (S NF)

5. The most effective opposition to the radical elements of the clerical regime comes from the moderate/conservative coalition within the government. Other domestic interest groups that are potential threats to any form of clerical government include:

[redacted]

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Allen Ex. #19

10 December 1985

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MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM: Director of Central Intelligence

1. At the 1030 meeting today, Bud reported on his discussions over the weekend with Gorbanifehr in London. He did not have a good impression of Gorbanifehr and recommended that we not pursue the proposed relationship with him.

[redacted]

2. Everybody supported this in our roundtable discussion. Other options which Bud had suggested were to let the Israelis go ahead doing what they would probably do anyway, and hope that we get some benefit, [redacted] The President argued mildly for letting the operation go ahead without any commitments from us except that we should ultimately fill up the Israeli pipeline in any event, or the Congress will do it for us. He was afraid that terminating the ongoing discussions, as Bud had speculated they might, could lead to early action against the hostages. The trend of the succession of this was that it was a little disingenuous and would still bear the onus of having traded with the captors and provide an incentive for them to do some more kidnapping, which was the main burden of the argument against going forward on the program. The President felt that any ongoing contact would be justified and any charges that might be made later could be met and justified as an effort to influence future events in Iran. I did point out that there was historical precedent for this and that was always the rationale the Israelis had given us for their providing arms to Iran.

3. [redacted]

The outcome was [redacted] we would maintain contact with any of the Iranians who turned up in this affair who are willing to do business on the basis of exchanging information and looking for ways to collaborate with respect to Iran's future.

4. As the meeting broke up, I had the idea that the President had not entirely given up on encouraging the Israelis to carry on with the Iranians. I suspect he would be willing to run the risk and take the heat in the future if this will lead to springing the hostages. It appears that Bud has the action.

William J. Casey

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Allen Ex. #20

MEMORANDUM FOR: Director of Central Intelligence

FROM: [redacted] Chief, Near East [redacted] Division

SUBJECT: Meetings with Michael Ledeen/Manuchehr Ghorbanifar

1. On the afternoon of 21 December, Chief, NE/[redacted] contacted Mike Ledeen to lay-on arrangements to meet Manuchehr Ghorbanifar (Subject). Ledeen advised that Subject would be arriving a day later than anticipated. He suggested we get together at 1100 hours 22 December to discuss our coming meeting with Subject. I 0282

Meeting with Michael Ledeen

- During the 22 December meeting, Ledeen reviewed his relationship with Subject. He said about a year ago, he (Ledeen) had gone to the former National Security Advisor Robert McFarlane to discuss the need for an Iran policy. Ledeen suggested to McFarlane that he be authorized to contact the Israeli Government to see what could be done in conjunction with them. McFarlane authorized this contact and shortly thereafter Ledeen met Prime Minister Peres. Ledeen added that Peres was very enthusiastic about working with Ledeen and the U.S. Government on the Iranian problem and told him about their contact with Subject. Two Israeli officials, David Kimche and Jacob Nimradi, introduced Ledeen to Subject. Since then, he has seen Subject 20-30 times, often in conjunction with Kimche and Nimradi. It was from this contact that the operation developed to have the Israelis at our behest deliver to Iran 500 Tow missiles and, more recently, 18 Hawk missiles in exchange for the release of all the hostages held in Lebanon. Ledeen is convinced that the release of Reverend Weir was tied directly to the first shipment of missiles. Ledeen went on to say, however, that he never really expected the Iranians to deliver all the hostages given the "Iranian's merchant mentality."

- The delivery of the Hawk missiles has been an operational nightmare. There was a misunderstanding about the type of missiles the Iranians were seeking. They wanted a missile that could hit a

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target at seventy-thousand feet and already had Hawk missiles in their arsenal. What they thought they were going to get was a modified and advanced version of the Hawk. They are quite angry about the delivery of the missiles and have asked that they be removed from Iran as soon as possible. Their presence in Iran is politically troublesome to the Iranian hierarchy. They are now asking for Hercules or Phoenix missiles.

- Ledeen stated that at a recent high-level meeting which included the President, Secretary of State Schultz and Defense Secretary Weinberger a decision was made not to proceed with Ghorbanifar in an effort to release the hostages. Schultz and Weinberger reportedly were quite unhappy about this operation.

- As an aside, Ledeen noted they had purposely overcharged the Iranians and had used around $200,000 of these funds to support Subject's political contacts inside Iran. Later that same evening, Subject stated he was holding $40 million which the Iranians want returned.

I 0283,

- Ledeen is a fan of Subject and describes him as a "wonderful man .... almost too good to be true." He had asked Subject to come to the U.S. to meet with us in order to straighten out his credibility and to find a way to keep the relationship going with him. The number one item in this latter area is his proposed Libyan operation. Ledeen said that when he learned of our Burn Notice on Subject, he contacted him in an effort to have him explain the situation (see Attachment A). He commented that Subject admitted lying to us, saying he could not reveal his source nor explain his relationship with senior Iranian officials. He felt we would not understand his relationship with the Iranian government. We suggested that perhaps a new polygraph would be useful given these latest revelations. He agreed to a polygraph to be conducted in the Hqs area on 6 January.

- In closing out this session, Ledeen made the point that any serious covert action operations directed against Iran using Ghorbanifar should be run out of the White House not CIA because "it will leak from Congress."

Meeting with Ledeen and Ghorbanifar

- At 2100 hours, we met with Ledeen and Subject at Ledeen's home. After a few pleasantries, we began to discuss Subject's reporting concerning the "Iranian hit team" which allegedly is

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presently [redacted]. Subject also said he thinks they have been given authority to assassinate [redacted]. He mentioned [redacted] as a secondary target. When we went over this a second time, he stated he is certain that [redacted] is the target.

[redacted] Subject was fairly reluctant at this meeting to identify this source. However, at the meeting on the afternoon of 23 December, he identified his source as [redacted]. This is the same source who provided the false information last March concerning an alleged Iranian plan to assassinate Presidential candidates which did not hold up during Subject's polygraph (see Attachment E).

[redacted] (Comment: Subject's reporting on this team is very reminiscent of his previous terrorist reporting which, after investigation and polygraph, turned out to be fabricated. It is our feeling there are bits of valid information in Subject's reporting but he has embellished and projected his own feelings in presenting this information as hard fact. This has been a presistant problem throughout the four years we have known him. His reporting has sometimes been useful but it is extremely difficult to separate the good from the bad information. It is hard to find in the file any instance where his reporting in fact resulted in a solid development.)

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- Subject had no additional information to add at this time other than the fact that this operation is not directed by [redacted]

- At this point in the discussion, we shifted to his views on the current divisions within the Iranian Government. He described them as:

line one - rightist;
line two - hardline;
line three - balancers.

He said that he would like to modify his earlier reporting (Attachment B). He believes "line two" and "line three" are now working more closely than in the past. His reporting on this is not very substantive and did not bring forward any really new information. He said he is working closely with the "rightist line" [redacted]

He said that the "rightist group" is not easily discernable because of the physical danger associated with openly opposing the government. Because they are not "visible", it is difficult to measure their strength within the Armed Forces, Revolutionary Guard, Bazar, etc. [redacted]

- At this point, he provided us with a 13-page Farsi document [redacted] analysis of the Islamic Jihad. He said there is new information and details in this document which our analyst will find very useful. (Comment: While we are having the document fully translated, the translator's early impression is that the document [redacted] does not reveal any new information). Subject went on to say that he could put us in touch with [redacted] whom he describes as [redacted] supposedly would be willing to answer all of our questions provided we give Subject three guarantees:

- There would be no harm done to [redacted] or his associates;

- That we would coordinate all our efforts with Ghorbanifar and;

- That we would support [redacted] to become [redacted]

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He added that this guarantee would have to come from the Director of CIA. He described [redacted] as being in charge of purchasing weapons for Iran. When asked what support [redacted] is looking for, Subject replied that we should help him be effective in his job. (Comment: What we are talking about here is facilitating [redacted] arms purchasing efforts. We told him we would review his report carefully and get back to him with additional requirements. It is noteworthy that Ghorbanifar's contact with [redacted] is very recent and he only raised the idea of cooperation with [redacted] one week ago.)

- At that point, we reviewed his relations with [redacted]. Subject said he has known [redacted] for 2-1/2 years and has developed a good personal relationship with him. He described [redacted] as a "hard-line fundamentalist" who is loyal to the Regime. He said [redacted] holds [redacted] position within the [redacted] office [redacted]

[redacted] Subject said that he provides [redacted] with information which [redacted] has used effectively in enhancing his position. Ledeen interjected the observation that subject has actually "made" [redacted] by his efforts in delivering missiles to the Iranians. [redacted] is disliked by his competition [redacted]

- Subject said that because of the negotiations concerning the exchange of the hostages for missiles, there has not been a terrorist act directed against the USG since July. He implied that this might change now that the negotiations have broken off.

- Finally, we discussed his proposed Libyan operation (Attachment D). He reiterated that Qadhafi is very much interested in assassinating Muhammad ((al-Muqarieff)), Libyan opposition leader. [redacted] In essence, Subject is proposing a sting operation in which the Libyans would provide $10 million in exchange for al-Muqarieff's demise. Subject believes he would be able to extract these funds from Qadhafi [redacted] stage his disappearance. He

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believes that when al-Mugarieff reappears, it would have a devastating impact on Qadhafi's image. He proposed using the funds ($10 million) obtained from Qadhafi for joint operations against the Iranians or any other target we are interested in. [redacted] Both Subject and Ledeen made a strong pitch for a decision on the operation as quickly as possible. We told him that we would review the operational proposal and get back to him quickly. [redacted]

- Subject plans to travel to London on 24 December to be with his family for 2-3 days. He has agreed to return on 5 January to undergo a polygraph scheduled for 6 January.

- Around 2330 hours NSC staffer, Ollie North, dropped by to say hello to Subject and to talk with him about the problem of retrieving the missiles from Iran. We departed at 2400 hours and it was arranged to get together on the afternoon of 23 December to discuss further some of his ideas. (Comments: This latter meeting took place as scheduled and the new information obtained during this session is folded into this report -- specifically arranging the date for a polygraph and the identification [redacted] as his source of terrorist activities in Europe.).

- Subject is registered at the Madison Hotel in alias, Nicholas Kralis.

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Allen Ex #23

I 0601

MEMORANDUM FOR THE RECORD

SUBJECT: Ghorbanifar Polygraph Examination

On the afternoon/evening of 11 January 1986, Ghorbanifar underwent a polygraph examination. He showed deception on virtually all of the relevant questions. He has lied/fabricated his information on terrorist activities and has tried to mislead us concerning his relationship with the [redacted] line inside Iran. He also has distorted [redacted] role in Islamic Jihad. Moreover, Ghorbanifar was tested on his involvement in the deal to release the hostages. The test indicated that he knew ahead of time that the hostages would not be released and deliberately tried to deceive us both independently and with [redacted]

Ghorbanifar provided new information concerning an alleged terrorist plan to attack U. S. inter[redacted]s in [redacted] He was also tested on this information and was shown to be lying.

It seemed clear from Ghorbanifar's behavior that he realized that the polygraph test indicated deception. While he commented during the test that he was comfortable with all of the test questions, he said that perhaps the machine might indicate some problems on a series of questions concerning [redacted] and the rightists inside Iran. He said he had been told by "White House representatives" not to discuss this topic with CIA because the operation was "too far advanced" and if CIA were involved "it would require Congressional briefings." He went on to add that he has supposedly expended $800,000 of his own funds for this purpose and has been assured by these "White House representatives" that he will be reimbursed for these expenditures. (Comment: The polygraph operator stated that Ghorbanifar's explanation/rationalization would not influence the test results on the questions being asked in connection with [redacted] and his supporters).

In discussing the hostage deal, Ghorbanifar stated he was very comfortable with the questions asked. During one of the breaks in the testing, he commented that the Israelis received the $24 million as soon as the shipment was delivered and they are holding all of the funds that the Iranians are requesting be returned. He added that the Israelis told him that they had

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"doubled" the cost of the shipment apparently because the Americans were involved. He said the Iranians were very upset about the last shipment and might resort to terrorist activities against U. S. interests. He remarked the Iranians have been refraining from these terrorist activities since the negotiations began. P 0602

Ghorbanifar is clearly a fabricator and wheeler-dealer who has undertaken activities prejudicial to U. S. interests.

Neither Ghorbanifar nor Ledeen have been advised about the results of the test. Michael Ledeen asked that he be informed about the results of the test as soon as possible. He was called on the morning of 12 January and told that the polygraph operator will be reviewing the results on Sunday and we should have feedback about the test on 13 January.

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COMMENTS ON GHORBANIFAR'S POLYGRAPH

1. Ghorbanifar has been polygraphed by the Agency on three occasions. Each test showed deception on the relevant questions. In March 1984, he fabricated information concerning an assassination plot against the U. S. presidential candidates. On 14 June 1984, he was polygraphed concerning information he allegedly had concerning the whereabouts of the U. S. hostages held in Lebanon. All the Agency officers and [redacted] involved with Ghorbanifar over the years have recommended that our relationship be terminated with him. A burn notice was issued on him in 1984.

2. In his most recent polygraph on 11 January 1986, the examination showed deception on all of the relevant questions; specifically he

(a) Lied/fabricated his information on terrorist activities;

(b) Tried to mislead us concerning his relationship with the "rightist line inside Iran";

(c) He distorted the leadership role of [redacted] inside Islamic Jihad;

(d) He showed deception on the question of whether he was under the control of the Iranian Government.

The test also indicated Ghorbanifar knew ahead of time that the hostages would not be released despite our providing missiles to the Iranians. He deliberately tried to deceive us on this issue both independently and with the collusion of [redacted]

[redacted]

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ATTACHMENT 24

TO: C/NE/[redacted] POLYGRAPH

FROM: [redacted]

13 January 1985

SUBJECT: [redacted] GHORBANIFAR(G)

1 0607

BACKGROUND: (G)

[redacted] is a 40-year-old male citizen of IDEN B, who first became of interest to [redacted] during March 1984 by providing [redacted] with information regarding the kidnapping of an [redacted] citizen. However, a March 1984 [redacted] POLYGRAPH administered to [redacted] on this topic showed deception. (G) [redacted] again became of interest when he claimed to have information of a plot to assassinate [redacted] political figures during the Fall of 1984. However, a June 1984 [redacted] POLYGRAPH administered to [redacted] on this topic showed deception. (G)

PURPOSE: POLYGRAPH

[redacted] was requested by NE Division to determine [redacted] (G) truthfulness regarding his information of or involvement with: IDEN C, IDEN L terrorists, IDEN D, and negotiations to release US [redacted] hostages. C/O [redacted] declared that [redacted] was not to be advised of the [redacted] POLYGRAPH results, confronted, or interrogated. (G)

PROCEDURE: POLYGRAPH

(G) During 11 January 1985 between the hours of 1500 and 2000, [redacted] was administered a [redacted] by examiner [redacted] while at a local hotel in Washington, D.C. [redacted] remained in the hotel room test site during the entire test. The english language was used.

RESULTS:

Deception indicated to thirteen of the fifteen relevant questions. Inconclusive to the remaining two.

DETAILS:

(G) [redacted] accompanied by [redacted], arrived on time and appeared to be in good physical health. He said he was not taking any medication. [redacted] explained to [redacted] that testing would be administered in four phases. (G)

EXAMINER

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DRV FROM [redacted]

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Phase I questions dealt with [redacted] information of or involvement with IDEN C. Phase I relevant questions and [redacted] answers appear below:

A. Has IDEN C personally told you he is willing to cooperate with [redacted] intelligence? ANSWER: Yes.

B. Are you trying to deceive us about IDEN C's actual degree of influence with IDEN E? ANSWER: No.

Testing showed deception to question B. Question A is inconclusive due to inconsistent reactions.

Phase II questions covered [redacted] information of or involvement with IDEN B terrorists. During pretest discussions of question F (aware of threats against [redacted] provided very basic and "new" information about terrorist's current plans targeted against [redacted] (subsequent [redacted] testing on this "new" information showed deception to all relevant questions; please see "Phase V"). Also during the pretest discussion, [redacted] said that in a conversation with IDEN F that IDEN F bragged that "my group" (IDEN C) assassinated IDEN L in [redacted] and "we are very happy." Unable to locate their real target (IDEN H), the hit team chose IDEN L. Phase II relevant questions and [redacted] answers appear below:

C. Are you trying to deceive us in any way about the source of the information regarding the three-man team (the IDEN G three-man hit team)? ANSWER: No.

D. Regarding European-based IDEN B terrorist, have you deliberately fabricated any of the information you have provided? ANSWER: No.

E. Did IDEN F tell you the Hamburg Team (The IDEN G three-man hit team) killed IDEN L? ANSWER: Yes.

F. Other than what you have told us, are you aware of ongoing plans targeting [redacted] persons or interests for acts of terrorism you are not telling us about? ANSWER: No.

Testing showed deception to questions C, D, E, and F.

Phase III questions focused on [redacted] information of or involvement with IDEN D. Phase III relevant questions and [redacted] answers appear below:

G. Are you trying to deceive us about your claimed contact with IDEN D? ANSWER: No.

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H. Are you trying to deceive us when claiming IRAN and senior officials have said to have agreed to cooperate with [redacted] USG ANSWER: No.

Testing showed deception to question H. Testing was inconclusive to question G due to inconsistent reactions.

Phase IV questions dealt with [redacted] (G) US information of or involvement with the negotiations to release [redacted] US hostages. Phase IV relevant questions and [redacted] (G) answers appear below: 0609

I. Did you have prior knowledge that the [redacted] US hostages would not be released at the conclusion of the negotiations? ANSWER: No.

J. Did you and IRAN cooperate together to deceive [redacted] USG in the hostage deal? ANSWER: No.

K. Are you under control of any official organization of the IRAN government? ANSWER: No.

L. Did you independently plan to deceive [redacted] USG during the hostage negotiations? ANSWER: No.

Testing showed deception to questions I, J, K, and L.

Having completed the four phases of testing, and realizing that just about everything [redacted] declared was fabricated, EXAMINER [redacted] returned to the "new" information about terrorist's current plans targeted against [redacted] USG while discussing this topic, [redacted] (G) was occasionally evasive and often reluctant to answer questions.

[redacted]

[redacted]
Page Four

(C)

But only was [redacted] occasionally evasive and often reluctant to answer questions he contradicted himself. During the beginning discussion, [redacted] said that [redacted] and [redacted] terrorist were present at this meeting, but 20 minutes later when recapitulating this story, [redacted] failed to mention the presence of [redacted] terrorist.

(C) (C)

Phase V questions focused on [redacted]'s claim to provide 300 kilograms of plastic explosives to terrorists to target, in part, [redacted] facilities in IDEN J. The following relevant questions and [redacted]'s answers appear below:

(C)

M. Last Sunday and Monday did you meet with Palestinians to talk about their desires to target [redacted] interest in IDEN J? ANSWER: Yes.

US

N. Last Sunday and Monday did you agree with these Palestinians to deliver, in part, [redacted] ANSWER: Yes.

O. Are you lying to me about any aspect of the meeting [redacted] with terrorists? ANSWER: No.

Testing showed deception to questions M, N, and O.

At the completion of these V testing, the [redacted] exam was officially terminated.

POLYGRAPH

EXAMINER
[redacted]

Distribution:
Orig - [redacted]
1 - [redacted]
1 - [redacted]
[redacted]

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IDENTITY SHEET

[redacted]

IDEN A . . . . . .GHOLAMIHAR, Manucheher
DTOB: 5/9/45, Tehran, Iran

IDEN B . . . . . .Iran/Iranian

IDEN C . . . . . [redacted] 0611

IDEN D . . . . . [redacted]

IDEN E . . . . . .Islamic Jihad

IDEN F . . . . . [redacted]

IDEN G . . . . . .Hamad Hassani

IDEN H . . . . . [redacted]

IDEN I . . . . . [redacted]

IDEN J . . . . . .Saudi Arabia

IDEN K . . . . . .Iranian Revolutionary Guards

IDEN L . . . . . .ALIAFI, Adil

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86-Y0682-C

DCI
13 January 1986

Allen Ex. #25

I 0273

The Israelis are moving ahead on their Tow for Hostage deal with the Iranians. You recall that in Sporkin's legal analysis there were two options: One for DoD to do it directly with the Israelis, the other to do it through CIA. Sporkin feels that the most defensible way to do it from a legal standpoint is through CIA. We prefer keeping CIA out of the execution even though a Presidential Finding would authorize the way Defense would have to handle the transactions.

Under this option the idea was that the Israelis would buy the improved version of the Tow and ship the basic Tows they now have to the Israelis. The Israelis would then replace those basic Tows by buying the improved version. Unfortunately, there is not enough money available to do this. The Iranians have placed $22 million in an account in Switzerland. This is enough for the basic Tows but for the Israelis to buy the improved version would cost about $44 million.

Therefore, they want to use the second option under which CIA would buy 4,000 basic Tows from DoD for $21 million. As far as Defense is concerned these purchases would be purchased in general for CIA uses for assistance [redacted] The money for the Iranian account would be transferred to the Israelis. The Israelis would transfer that money to a CIA account to pay for this purchase, provide the Tows from DoD, the shippers would move the Tows to the Israelis who would then move them on to the Iranians. The Israelis would keep their basic Tows and the problem of upgrading them to the new Tows would be handled in the normal DoD Israeli relationship.

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TOP SECRET

I am told that time is of the essence in getting this done [redacted] 1 0274

[redacted] the situation in Lebanon is deteriorating so that any delay we can see in the prospects of getting the hostages out of Lebanon should be avoided.

[redacted]

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EXCLUSIVE DISSEMINATION

29 JAN 86

Allen Ex. #26

DO NOT REPRO

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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC 00473-86
29 January 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Interview with Subject

Subject's Relationship with CIA

1. On Monday, 13 January 1986, I spent five hours with Subject, an Iranian national who has had sensitive contacts with senior officials of the National Security Council. I met with Subject at the request of the DCI in order to assess Subject's access to Iranian Government leaders and to obtain from him information that he claims to possess on terrorist networks. The DCI request came after Subject had failed a polygraph examination administered by the Agency two days earlier. The purpose of meeting with Subject was to obtain a general overview of the information he possesses, not to conduct a detailed debriefing.

2. Prior to discussing specifics, Subject stated that he wanted to explain his prior relations with the Agency, which he termed as "most unsatisfactory." He stated that he cooperated with Agency officials from 1980 to 1982 but, because CIA only wanted to use him as another source, he decided to cut off all contact. He stated that he does not want to be an employee," noting that he is a "turn-key project man." He claims that he never requested funds from the Agency but that his only interest in cooperating with it was to find support to change the extremist nature of the hardline clerical regime of Ayatollah Khomeini. He claims to have suffered as a result of his breaking off with the Agency because CIA informed [redacted] that Subject was not to be trusted. As a consequence, Subject stated that he "retaliated" by ensuring that some of his Iranian contacts stopped their relationship with CIA or that they fed the Agency false information.

3. [redacted]

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CL BY [redacted]
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A-7
29 Jan 86

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4. In essence, Subject stated that he was requesting a "more principled" approach towards him by the Agency. His major reason in asking for a relationship with CIA was to seek its support in a long-term effort to modify the Khomeini regime which, through its radical, fundamentalist policies, could open Iran to Soviet influence or even direct intervention. In Subject's view, Iran must align itself with the West. The United States must lead the effort to preclude the Soviets from controlling Iran. Subject stated that he can assist because he is secretly part of the conservative "line One" faction in Iran that opposes the "line Two" group which vehemently supports a fundamentalist Islamic Iran and favors its export to other Islamic countries. In cooperating with the Agency, Subject stated that "he and his organization" would pay for the operations they conduct. Once, however, he and his group have completed a major operation with Agency support and endorsement that, for example, "saves the life of the Crown Prince of Bahrain," he would expect that his organization would receive "substantial sums of money" (i.e. millions of dollars) in return fro[redacted] The funds would be used to support his group and to advance the cause of Line One.

Areas of Possible Cooperation

5. Subject stated that he wished to work with the US Government and CIA in a number of areas. Clearly, the US hostages held in Lebanon were a high priority. He would continue to work with the White House on this issue; this effort would be kept separate. A second area would be to assist the West in blunting Iranian terrorism. A third area would be working with the Agency to thwart Libyan and Syrian-sponsored terrorism and to assist in the overthrow of Libyan leader Qadhafi.

6. On the first two areas, Subject stated that some issues were interrelated: hostages and the future course of Iranian terrorism directed at the United States. He claimed that [redacted] Prime Minister Mir Hosein Musavi-Khamenei, and Minister of Oil Gholam Reza Agazadeh will lose face" soon unless arrangements again proceed for the United States to supply arms through intermediaries (i.e. Israel) to Iran. All three Iranians have told President Ali Khamenei that the United States is willing to provide sophisticated US arms to Iran in return for Tehran's promise to secure the release of US hostages held in Lebanon. [redacted] Musavi-Khamenei, and Agazadeh had assured Khamenei and other senior Iranian officials that a long-term relationship with the United States was being developed. As a consequence, Tehran ordered Iranian terrorist elements to cease attacking US personnel at facilities. In fact, no attacks sponsored by Iran have occurred against the US for seven months. Subject stated that "the Islamic Jihad Organization (IJO)" would strike soon unless a new understanding was reached, perhaps as early as 24 January.

7. Subject stated that he had convinced the Prime Minister and the Minister of Oil to trust the United States with Israel acting as an intermediary. Iran had shown "good faith" by paying in advance of arms deliveries in November. When the goods (Hawk surface-to-air missiles) arrived in late November, they were an old model", costing four times the price "originally" agreed upon. The Hawk missiles are still at Tehran International Airport, awaiting pickup for return to the West. The Prime Minister and others believe they "were cheated." In fact, nine of the 18 Hawks have the

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EXCLUSIVE DISSEMINATION

Star of David inscribed on them. Subject stated that he has told the Prime Minister that, unless agreement with the United States is reached by 24 January, he would no longer wish to serve as an intermediary in dealing with the United States.

8. As far as his personal situation was concerned, Subject expressed no serious concern. Musavi-Khamenei [redacted] and Aqazadeh all owe Subject substantial sums of money. [redacted] moreover, has been photographed in compromising situations with western women, an activity that would finish him with the Khomeini fundamentalist government were it to become known. Even though all three individuals are identified with Line Two and have blood on their hands, he has no fear of them. What concerns Subject is that, if talks break down with the United States, widespread terrorist activity will ensue.

9. Subject stated that the Prime Minister was ready to accept US assistance, military advice, and an unofficial US presence in Tehran but then the "cheating thing" occurred in late November to Musavi-Khamenei's dismay. The original plan was for Iran to try to deliver not only the five US hostages but the two Jewish ones as well.' A "terrorist war" may now ensue. Subject spoke of activism by Shiites in Pakistan as being a particularly worrisome source of potential terror against US interests. The Iranian Revolutionary Guard Corps (IRGC) can exert control over the Shiite captors of the Americans. All that is required for the Americans to be freed is for Prime Minister Musavi-Khamenei to issue an order and the IRGC will secure their release.

10. Subject stated that the issue of the hostages could go either of two ways. Musavi-Khamenei [redacted] and Aqazadeh could ensure the hostages are killed if no agreement with the United States occur. Conversely, they could ensure release of the hostages if proper agreements are reached. Subject noted that he feared the Soviets would attempt to take advantage of the current factionalism within the Iranian regime. For example, the second highest ranking official in the Ministry of Foreign Affairs (NFI), may be sympathetic to the Soviet Union. The United States would be wise not to let this happen; cooperation was essential to ensure that Iran moves towards a more moderate course.

11. [redacted]

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12. [redacted]

13. [redacted]

Iranian Terrorism

14. Subject stated that he had four sources of information on terrorism emanating from Iran. His first source was, of course, [redacted] He maintains direct contact with [redacted], who runs a terrorist net of 20-30 peop[redacted] is an extremely dangerous individual but Subject can control him. In fact, Subject has paid [redacted] large sums of money and has information by which he could blackmai[redacted] if necessary.

15. The second Iranian source of Subject's is[redacted]

16. The third connection that Subject has with individuals with access to Iranian terrorist activities are two Iranians [redacted]

17. Subject stated that his fourth link to Iranian terrorism is [redacted]

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18. [redacted]

19. [redacted]

20. [redacted]

21. [redacted]

22. [redacted]

23. Subject stated that his current relationship wit[redacted] is to assist the latter with procurement of arms for Line Two. He claimed to have assiste[redacted] in obtaining arms from [redacted]. In one instance, a plane load of weapons was held [redacted] but Subject intervened to get the plane released for transit on to Tehran[redacted] was grateful for this accomplishment.

24. Subject related a number of instances where he had intervened to assist Iranians in difficulty with the Khomeini regime and where they are indebted to him. [redacted]

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[redacted]

25.

The Syrian Connection:

26. Subject claims that both Syria and Poland support Iranian terrorist networks through the supply of arms.

[redacted]

27.

28.

29.

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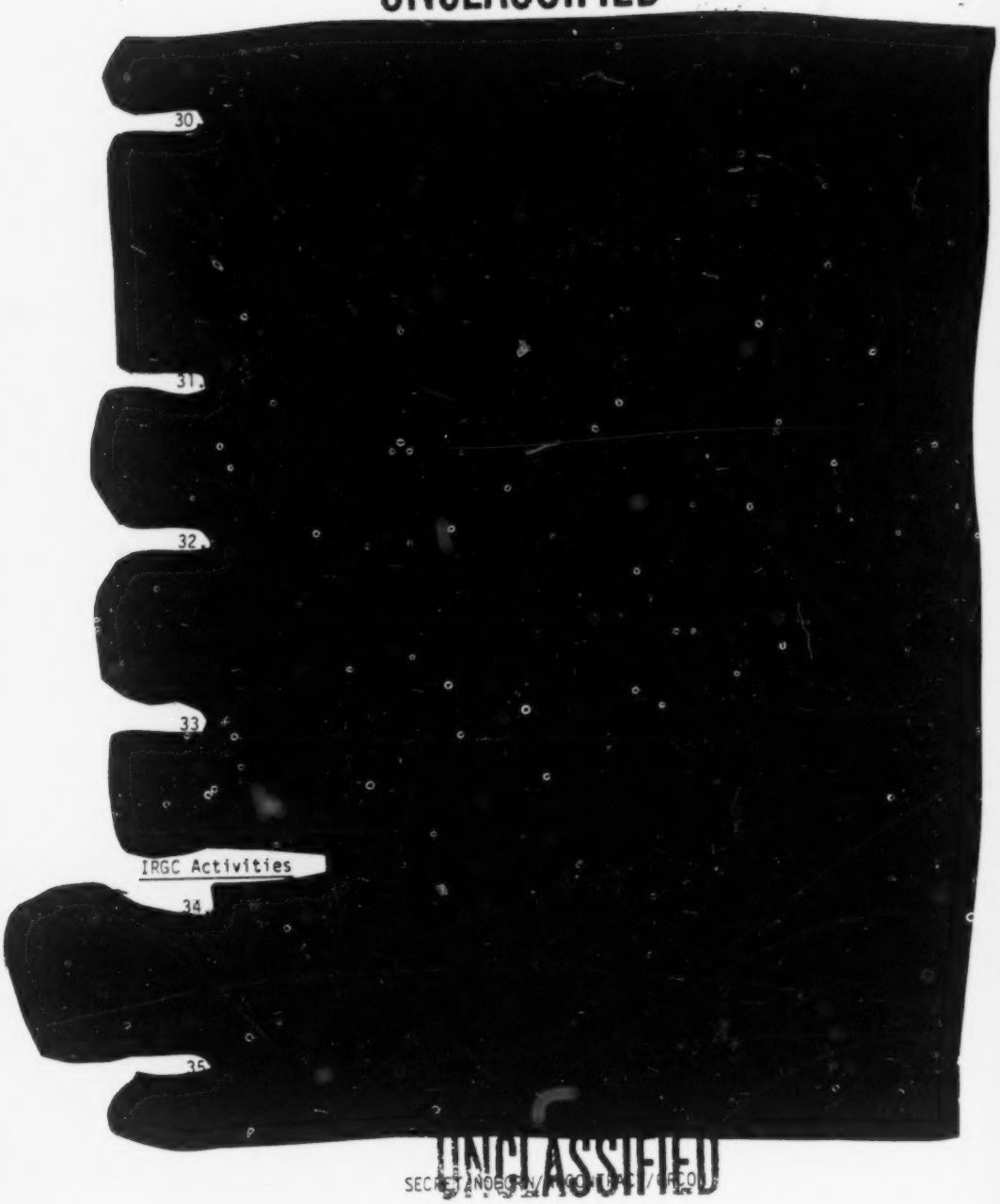

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[redacted]

36. The IRGC has developed a contingency plan for the invasion of Bahrain should it become necessary. [redacted]

37. [redacted]

38. In closing, Subject reiterated his willingness to work with the US government, not as a controlled agent, but as an individual who controls key assets inside and outside Iran that wish significant change in the government and needs US support. Subject made it clear that he and "his organization" wished to be reimbursed for services rendered in thwarting terrorist acts. For example, he stated that [redacted] should provide him with handsome rewards (i.e., millions of US dollars) if he is able to warn of and assist in the prevention of attacks on Gulf state leaders. [redacted]

39. Comment: Subject is a highly energetic, excitable individual who possesses an extraordinarily strong ego that must be carefully fed. Intelligent and clearly an individual who has made a considerable amount of money in procurement of arms and in provision of "other services", he is relatively straight forward about what he hopes to get out of any arrangement with the United States. He deeply resents "his treatment" by the Agency in the 1980-82 timeframe and frequently speaks scornfully of a woman with the name of "Lucy" from the US Embassy in London who met with him at that time. A personable individual, he also consistently speaks of his love of Iran and the need to change the composition of the current government there. It is difficult to gauge just what Subject's "organization" consist of but he appears to have influence over or business arrangements with a substantial

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number of individuals in the Middle East and Europe and inside Iran itself. We have hard evidence that he is close to the Prime Minister, the Minister of Oil, and other senior officials like [redacted] There is no question, however, that he exaggerates and inflates for his own reasons some of his relationships. He is impatient if one tries to pin him down on the specifics of some of the complex plots that he describes. For this reason, the best strategy is to go back over details in a series of meetings so that all aspects of the plot can be determined. This indirect approach takes time but builds rapport with Subject. The worst approach to Subject would be to attempt to lecture him.

Charles E. Allen

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No Date
86-4068M-5

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MILESTONES

Allen Ex. #28

I. Executive decision to proceed.

II. Negotiations with the accommodating 3rd party and ultimate recipient regarding shipment, delivery and payment.

Possible scenarios: I 0405

Arrange transportation/shipment with cooperating intermediary.

Equipment will not be shipped directly to X, but to a cooperating intermediary.

The Agency will receive payment in advance from X for one-quarter of the equipment.

The Agency will procure and deliver to X one-quarter of the equipment.

After X receives one-quarter of the equipment, X will turn over to the Agency the materials it has been holding.

X will then provide the Agency with funds for the remaining three-quarters of the equipment which will then be procured by the Agency and delivered to X.

Funds will be transferred by X from its Swiss bank account to a foreign bank account established by the Agency but with no Agency overt connection.

Funds will be transferred from the Agency's foreign bank account to the military in a manner consistent with the military needs.

III. CIA initiates Economy Act Transaction with DOD (statutory authority attached)

A. Prepare Economy Act Agreement

1) Oral or written

Discussions with military to ascertain how it needs to book this transaction with respect to sale of its equipment and receipt of payment for the equipment.

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2) What level within DOD

3) Overt or classified transaction

B. Arrange for delivery of equipment to CIA custody.

Establishment of shipment mechanism and necessary liaison with military.

1) From where to where

2) Mode of transport

3) Schedule of delivery

1 0406

C. Agreement as to method and timing of payment to DOD

1) Type of payment (cash or check)

2) What will be the recipient DOD agency

IV. CIA initiates positioning or delivery of equipment to ultimate recipient

A. Nature of activity

1) Overt - (military transport to accommodating party)

2) Covert - Proprietary

B. Prepare for equipment movement

1) Location of deliveries

2) Schedule of deliveries

3) Mode of transportation (black or white)

DOD transport

Agency owned aircraft (Proprietary)

Commercial (charter)

4) Number of shipments

C. Prepare for movement of funds

1) Establish throw-away bank account for receipt of funds for procurement

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a. (Who will do it)

b. (Where)

c. (Nature of Account)

1. Proprietary account

2. Non-proprietary account

3. Corporate/personal account

d. Role of Office of Finance

V. Prepare plan for receipt of reciprocal items

VI. Prepare plan for shipment of remainder of equipment and receipt of balance of funds

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17 January 1986
2:00 DRAFT

1. Equipment will be procured by the Agency from military and in turn delivered to X.

2. Equipment will not be shipped directly to X, but to a cooperating intermediary. 0408

3. The Agency will receive payment in advance from X for one-quarter of the equipment.

4. The Agency will procure and deliver to X one-quarter of the equipment.

5. After X receives one-quarter of the equipment, X will turn over to the Agency the materials it has been holding.

6. X will then provide the Agency with funds for the remaining three-quarters of the equipment which will then be procured by the Agency and delivered to X.

7. Funds will be transferred by X from its Swiss bank account to a foreign bank account established by the Agency but with no Agency overt connection.

8. Funds will be transferred from the Agency's foreign bank account to the military in a manner consistent with the military needs.

9. Equipment will be shipped out black:

   A. Agency procured charter.

   B. Existing Agency-owned aircraft.

   C. Military transport (requires discussion with military).

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TO BE DONE:

1. Discussions with military to ascertain how it needs to book this transaction with respect to sale of its equipment and receipt of payment for the equipment.

2. Establishment of Agency foreign bank account for receipt of funds for procurement.

   A. (Who will do it)

   B. (Where)

   C. (Nature of Account)

      1. Proprietary account.

      2. Non-proprietary account.

      3. Corporate/personal account.

   D. Role of Office of Finance.

3. Establishment of shipment mechanism and necessary liaison with military.

4. Arrange transportation/shipment with cooperating intermediary.

1 0409

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OPTIONS

1. Use CIA authorities to acquire new weapons from DoD and then pass them through Israelis to Iran.

Pros

-- There's precedent/authority

-- No FMS reports needed

-- No unnecessary overlap between FMS and covert action

-- It's a straight covert action operation

Cons

-- Failure to report raises political sensitivities

2. Have Israelis pass the weapons they have and we replace them with new ones.

Pros

-- Argue it's all covered by the Finding (Israel acting only for U.S.)

-- Don't report under FMS because it would frustrate intent to use covert action

-- Argue Presidential authorities are broad enough to handle situation not contemplated by current law

Cons

-- Means withholding notice under two laws instead of one (i.e. FMS and oversight act)

-- This will mean passing weapons covertly even though they've already been subject of public discussion under FMS

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17 JAN 86

C 1470

[redacted]

86 9613160 ASP PAGE 001
TOT: 17 [redacted] JAN 86 DIRECTOR 696554

S E C R E T
STAFF 17 [redacted] DIRECTOR 696554
TO: PRIORITY [redacted]

After 5x #29

SUBJECT [redacted] EXAMINATION

REF: DIRECTOR 652486

1. [redacted] UNDERWENT AN [redacted] EXAMINATION ON 12 JANUARY 1986 CONCERNING HIS RECENT TERRORIST REPORTING. THE TEST INDICATED DECEPTION TO ALL RELEVANT QUESTIONS RELATING TO THIS REPORTING [redacted] PLANS NO FURTHER CONTACT WITH [redacted]

2. FILE [redacted] DECL OADR DRV HUM 4-82. ALL

SECRET [redacted]
ORIG [redacted] COORD: [redacted]
AUTH: [redacted] REL: [redacted] CL BY [redacted]

END OF MESSAGE SECRET

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by K. Johnson, National Security Council

5009

REVIEWED FOR RELEASE
Date 22 March 82
HSC 055C

C11N1029

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21 January 1986

Allen Ex #30

MEMORANDUM FOR: [redacted]

FROM: Clair E. George
Deputy Director for Operations

I 0612

SUBJECT: Sensitive Support Requirement

1. The DDO requests that, in support of a sensitive requirement relating to the hostage situation for which an appropriate Finding exists, [redacted] provide [redacted] a pocket tape recorder to Colonel Oliver North of the National Security Council. This equipment will be turned over by [redacted] on the afternoon of 21 Janaury with the undersigned present to ensure that no inappropriate additional requirements are levied.

2. Your speedy reaction to this sudden requirement is, as always, very much appreciated.

[redacted]

Clair E. George

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CIIN #184/S 07

25 JAN 86
D/DCI
OUTGOING

[redacted]

[redacted] ATO PAGE 001
[redacted] DTG: 25 [redacted] JAN 86 DIRECTOR 705774

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I 0566

[redacted] 25 DIRECTOR 705774
TO: IMMEDIATE [redacted]

NIACT [redacted]

[redacted]

Allen Ex. #31

Partially Declassified/Released on 26 JAN 88
under provisions of E.O. 12356
by R. Johnson, National Security Council

SUBJECT: PRESENT STATUS IN SAGA REGARDING THE MOVEMENT OF TOW MISSILES

PLEASE PASS TO DCI FROM DDCI EYES ONLY AT START OF HIS DAY AND PLEASE CONFIRM DELIVERY.

1. A NEW DIMENSION HAS BEEN ADDED TO THIS PROGRAM AS A RESULT [illegible] MEETING HELD IN LONDON BETWEEN NORTH AND GHORBANIFAR. WE HAVE [illegible]N ASKED TO PROVIDE A MAP DEPICTING THE ORDER OF BATTLE ON THE [illegible]AN/IRAQ BORDER SHOWING UNITS, TROOPS, TANKS, ELECTRONIC INSTALLATIONS, AND WHAT HAVE YOU. THE GAME PLAN IS FOR A SEGMENT OF THE MAP DEPICTING A PART OF THE FRONT TO BE PASSED TO SHOW OUR BONA FIDES AND THAT WILL START IN TRAIN A SERIES OF EVENTS. WHEN THE MOVEMENT OF THE MISSILES TAKES PLACE, THE REMAINDER OF THE MAP WILL BE PASSED AND THAT WILL PROMPT ALL THE RECIPROCAL ACTION ON THE PART OF THE IRANIANS. TIMING IS FOR THE FIRST SEGMENT OF THE MAP TO BE DELIVERED LEAVING HERE TOMORROW, SATURDAY, 25 JANUARY. THEN ON THE 9TH OF FEBRUARY, A THOUSAND TOWS WITH THE REMAINDER OF THE MAP AS THE FIRST TRANCHE OF A 4,000 COMMITMENT.

2. WE ARE TO GET THE TOWS FROM THE US ARMY AND ARRANGE TRANSPORT OVERSEAS.

3. EVERYONE HERE AT HEADQUARTERS ADVISES AGAINST THIS OPERATION NOT ONLY BECAUSE WE FEEL THE PRINCIPAL INVOLVED IS A LIAR AND HAS A RECORD OF DECEIT, BUT, SECONDLY, WE WOULD BE AIDING AND ABETTING THE WRONG PEOPLE. I MET WITH POINDEXTER THIS AFTERNOON TO APPEAL HIS DIRECTION THAT WE PROVIDE THIS INTELLIGENCE, POINTING OUT NOT ONLY THE FRAGILITY IN THE ABILITY OF THE PRINCIPAL TO DELIVER, BUT ALSO THE FACT THAT WE WERE TILTING IN A DIRECTION WHICH COULD CAUSE THE IRANIANS TO HAVE A SUCCESSFUL OFFENSE AGAINST THE IRAQIS WITH CATACLYSMIC RESULTS. I NOTED THAT PROVIDING DEFENSIVE MISSILES WAS ONE THING BUT WHEN WE PROVIDE INTELLIGENCE [illegible] THE ORDER OF BATTLE, WE ARE GIVING THE IRANIANS THE WHEREWITHAL

501

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COPY # 001

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[redacted] PAGE 002
TOT: 25[redacted]JAN 86 DIRECTOR 705774

T 0567

FOR OFFENSIVE ACTION.

4. POINDEXTER DID NOT DISPUTE OUR RATIONALE OR OUR ANALYSIS, BUT INSISTED THAT IT WAS AN OPPORTUNITY THAT SHOULD BE EXPLORED. HE FELT THAT BY DOING IT IN STEPS THE MOST WE COULD LOSE IF IT DID NOT REACH FULFILLMENT WOULD BE 1,000 TOWS AND A MAP OF ORDER OF BATTLE WHICH IS PERISHABLE ANYWAY.

5. WE ARE NOW PROCEEDING TO PREPARE THAT MAP AND DELIVER IT TO NORTH AT 1100 SATURDAY MORNING WASHINGTON TIME.

6. I HAVE READ THE SIGNED FINDING DATED 17 JANUARY 1986 WHICH GIVES US THE AUTHORITY TO DO WHAT THE NSC IS NOW ASKING [redacted]ENCE. IN SPITE OF OUR COUNSEL TO THE CONTRARY, WE ARE PROCEEDING TO FOLLOW OUT ORDERS AS SO AUTHORIZED IN THE FINDING.

7. NO FILE. DECL OADR DRV HUM-4-82. ALL TOP SECRET.>
ORIG: DDCI (MCMAHON 1155).
END OF MESSAGE [redacted]

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25 JAN 86

C 3991

Allen Ex. #32

CASS[illegible]ed "Ghorba" (MC #2)

Par[illegible]: M. Ghorbanifar (Ghor) and Charlie Allen (Charlie)

([illegible]chael Ledeen later joins them)

Date: 25 January 1986

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by K. Johnson, National Security Council

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[redacted]

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DOCUMENTS

C3992

then

C3994

denied in

their entirety

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UNCLASSIFIED C 3995

[redacted]

Charlie: Beneficiary?

Ghor: This is, is [redacted] So here is where they have to pay us. I mean to our organization. Why we, we need this money, we need for th[redacted]inging of reform in Iran. To help Ollie's for his costing [redacted] South America, (laughter) and, to rout all terrorism network in Europe and in Iran.

Charlie: Yeah. By carrying this off you'd expect a large donation from [redacted]

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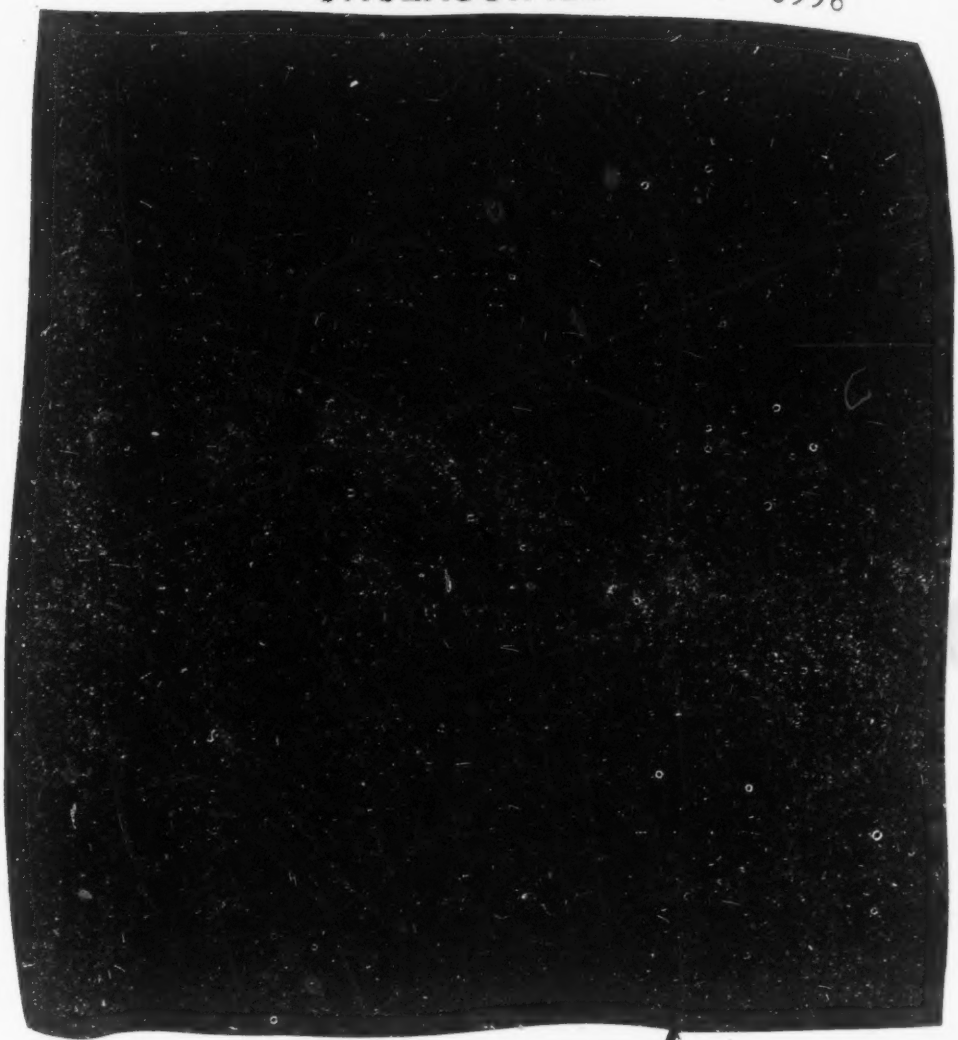
1527/A

UNCLASSIFIED C 3996



Charlie: I have some, some fresh fruits. I'll get some grapes if I may. That my, my little daughter and I eat grapes a lot. Apple will be good, too. Thank you, Ghor.

Ghor: Here (sound of pounding)

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Charlie: [illegible] said his trial went pretty well over in Rome.

Ghor: O[illegible]h, I hear. . . (garble)

Charlie: I was pleased to hear that.

Ghor: I need to contact with him because I have a lot of trouble with these eyes. Today the Jacob because Ollie told me don't answer. You know the whole story.

Charlie: Nimrodi?

Ghor: He is killing me. And I was looking. . .

Charlie: Crooked, isn't he?

Ghor: . . .begging them that please put me out of this business. Today he called my home (whisper - and threatening). Said very (garble) this learn the lessons (laugh) (garble).

Charlie: Nimrodi?

Ghor: Yes. (garble). What th[illegible]ll is with me is not my problem. You know he loves money. And you know this man dies for money.

Charlie: He is a traitor.

Ghor: I have never seen such a man.

Charlie: You know he really is. New York, he has an office in New York; he has an office in London, here. (garble)

Ghor: In one bank I have account.

Charlie: Um, hum.

Ghor: I have only there four hundred thousand dollars. In that bank, he has there, in the same offices with my friend, he has seventy five million dollars.

Charlie: Gosh. He has seventy-five million?

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Ghor: [redacted] name of his daughter, has twenty five.

Charlie: Hard to believe.

Charlie: Jacob Nimrodi?

Ghor: The account - hm. He is seventy . . .in this bank he is good, I think, for at least hundred million dollars. He has a Midland Bank here ten million pounds. He has ten million pounds here. (whisper) (garble)

Charlie: So, he is now being threatening? He knows it's going wrong - so now hw is being threatening?

Ghor: No, he think that I, I took this when I was out of this already. It was not my decision to put him aside, you know? Never. . .

Charlie: You, you had nothing to do with it.

Ghor: This is nothing I do. They, they this is, eh the decision of the, of the other people.

Charlie: That's right. That was the decision of the Israelis and the Anericans.

Ghor: Americans. I had nothing to do with any of it.

Charlie: Tell him go talk to, to others, talk to Ollie and others.

Ghor: Yes, but, but they this, eh Nir, was supposed to stop it. And to tell him this is not my business. Cause he will not let me up. He will be fighting with me. Nir is . . .this coming ten years.

Charlie: Nir is a very politically ambitious man, you know? He has great aspirations to lead Isreal someday as Prime Minister.

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Ghor: [redacted] (garble) Who?

Ghor: (garble) He is a good man.

Charlie: Smart. He has made a lot of enemies.

Ghor: Yes.

Charlie: With his style of operating.

Ghor: Oh, yes (garble) Okay. Then. . .

Charlie: All right.

Ghor: This is, this is the part. Now we [redacted] involved with the [redacted] in this way and that way. Passports. Many passports they supply. I, I, if you like any kind of passports I can get them or give you a copy of those that you pay for Iranians.

Charlie: You get the passports - genuine passports?

Ghor: Many. . . from [redacted] Many passports they manage for us. The, the [redacted] all Arab countries, all Arab countries. [redacted] so on and so on so. And Nir was, was, was has big eyes (garble). Ollie can tell you. He asked for some question. Somebody with [redacted] passport. And this was the [redacted] What everybody ask I tell them in the background who is this. He was shocked. (laughter) Because the[re] we uh, there was a VIP they picked up somewhere b[y] [redacted] people which was the passport of, of, of uh [redacted]

Charlie: Yeah.

Ghor: And he asked me about twenty names. I gave him all the names who they are, and where they are and what (garble). He was really shocked: Heh:

Charlie: And you have some South American ones, too don't

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you? S[redacted]ican and [redacted]?

Ghor: Yes, we can supply all, all South American.

Charlie: Some South American?

Ghor: They are very helpful in, in, in South America. Okay. What you remember when I was with you the last time? I told you one of the reasons I was in Spain because the Iranian PM wants those prisoners we have in jail to be released in Spain. Do you remember this?

Charlie: Yes. But, uh.

Ghor: Three (garble)

Charlie: Three.

Ghor: Okay. And then I told you that the reported to PM that it is going to help and we can do it. But the PM was so ambitious that he ordered the [redacted]ing the hostage of the Spaniard.

Charlie: They, they picked up three.

Ghor: Yes. And this happened after we had the discussion.

Charlie: That's right (garble)

Ghor: And now there is official announcement that the Iranians they, they these three prisoners they should be released against these three. If you have any interest in this I can work out. I can release these Spaniard within half an hour. If they agree to release them. Cause I discuss[redacted] this with the Iranian PM. So anytime they deliver to you. I deliver to what they like.

Charlie: If the. . .

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Ghor: This is directly Iranian PM business now. Uh.

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Charlie: [illegible] were three picked up by Amal Shi'a.

Ghor: Yes. S[illegible] this is all force.

Charlie: Your. . .

Ghor: Because two of these guys, two of these guys is, is from the [illegible] office.

Charlie: Two of the chaps in the (garble)

Ghor: Two of the three. . .

Charlie: So he has a direct interest?

Ghor: Directly.

Charlie: He's got to get. .

Ghor: Cause they were from - this was his direct order of so what, what it was supposed to happen in Spain.

Charlie: Yeah, they were, they were caught in attempt against a Libyan.

Ghor: Attempt against Syr. . [illegible] .Soviet.

Charlie: That's right, a Soviet.

Ghor: To hijack . . .

Charlie: That's right, Soviet.

Ghor: To hijack the Soviet plane to bomb the Soviet installation, everything. Against the Soviets.

Charlie: That's right. So, uh, it would seem to me that, uh, as I understand it, uh, the, the Spanish. . .

Ghor: That is why I call you. That is why I call you.

Charlie: . . .is to let the three go and serve sentences in Lebanon and then, uh, ex. . .

Ghor: And this I can do for them like this (sound of snapping fingers) in one second. If they tell me they deliver the guys,

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I would [redacted] ask the PM to deliver the Spaniards.

Charlie: so you can deliver (garble)

Ghor: This is very easy. It is easy to do this because we discussed this with PM for the last one month before this happen and I told you about this. Before it happened that we are going to discuss about this how to bring them out.

Charlie: Okay.

Ghor: Now you, you have, a, a, about or ask about the things generally you know. Now we are ready besides to do whatever we discussed about these things with you and the messages I gave to, to Ollie for you about the [redacted] all this Iranian Speaker. About the, [redacted] the man. . . How did you find the translation of those five pages?

Charlie: I haven't gotten the [redacted] back yet. And I am sorry. I sent them to the translator and they haven't come back.

Ghor: Why?

Charlie: I don't know. I will, I'm glad you reminded me.

Ghor: This is now ten days maybe. It should take. . .

Charlie: Government bureaucracy is terrible, but.

Ghor: It should take him, um, maybe half an hour [redacted] translate this.

Charlie: I, I don't know where those are. I [redacted] I meant to check on that before I left. I brought, uh, [redacted] I don't have those.

Ghor: I wanted, I wanted you to because this was for very, very first thing how you know (garble). How, how our

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contracts [redacted] very good contacts we, we have through that channel also.

Charlie: I asked for it. I have been very busy. I am sorry Ghorba. I apologize.

Ghor: So, is uh . . .

Charlie: Let me find out, I will find out tomorrow. I will get back, I'll be at the office tomorrow evening so I will. . .

Ghor: Okay. Number one, our suggestion is this that besides all we have offered to you. You know with whom we are in contact, how we can manage [redacted], what is our relation with [redacted] and what other things you can do. Now you know general

[redacted]

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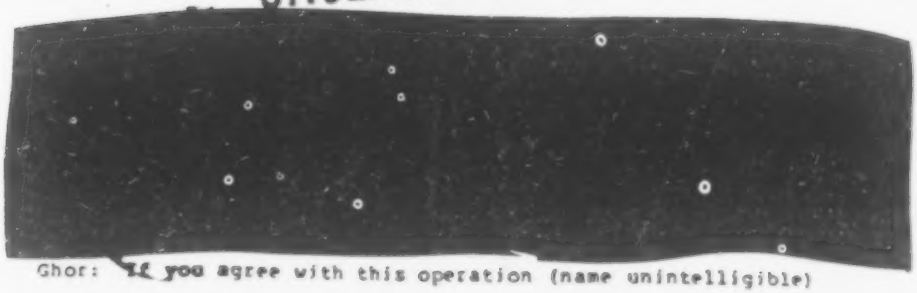

Ghor: If you agree with this operation (name unintelligible) believe me he was finished by now. Cause we have. . .You know, you know the new terms he gave to us, we gave to Ollie, he gave to you?

Charlie: You mean uh. .?

Ghor: The new terms he was ready to pay ten million dollars cash and all these things. You remember I gave Ollie to tell you the new terms of, of . .

Charlie: He didn't tell me this.

Ghor: He forgotten it?

Charlie: Yeah. I'll, I'll check with, uh, new terms fro[redacted]

[redacted]

Ghor: Yes. The general new terms he, he agreed to pay ten million dollars in cash now. Besides for ten million barrels of oil two, two below the market.

Charlie: How, how much in oil?

Ghor: Ten million barrels. Two dollars below the market price.

TELEPHONE RINGS

Ghor: Hello. How are you. (laughter) No, you are downstairs. Okay. Hold on one second. Michael (whispering)

Charlie: It's okay. Let's don't talk about that

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Ghor: No. no. Hello. Come up, you know, 926.

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C 4008

HANGS UP

(garble)

Ghor: No this is nothing. (garble) We already discussed.

Charlie: Yeah, you need to write that in detail so that. . .

Ghor: (garble) tomorrow I will do this.

Charlie: . . .so that your friends (garble) they will understand clearly, and give them. . .

Ghor: I know how. . .

Charlie: . . .that have been told by the emissary from American that the evidence, the information is absolutely compellingly accurate.

Ghor: . . .this in my report. Okay?

Charlie: [redacted]

you will have a good chunk of [redacted] front in another few days, if things look up.

Ghor: Okay.

Charlie: I, I, I think they will, I think they will say this is a sample that shows the American good faith, let us continue to work the problem. And, uh, the Hawk stuff was just terrrible, terrible.

Ghor: Tonight I was talking to [redacted] his home. I don't know you take it to his home or no. But if he listen tonight he will say the Prime Minister now is dying and my heart is stopping because of (garble). He said it is, it is, uh, believe it. Tonight I hope that you are on the air he was crying.

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Charlie: [illegible] right?

END OF FIRST SIDE OF TAPE

Ghor: Believe me, tonight, I hope you are on the air, he was crying [illegible]

Charlie: Is that right? (garble)

Ghor: Believe me.

Charlie: Hostages?

Ghor: Yea, hostage to this matter with Khomeni. (Garble)

Charlie: Very serious...

Ghor: This is a crazy action against America. I couldn't ...

Charlie: He is capable... garble

Ghor: I couldn't (garble) tonight. I hope, eh, I don't know what you are going to tell me this was, was very interesting tonight discussion.

Charlie: Okay

OPENS DOOR IN RESPONSE TO KNOCK

GHOR - Hello

MICHAEL -Hello, how are you. Nice to see you.

GHOR - You look very fresh.

MICHAEL - Yes, you too, you are kind.

CHARLIE - Come in Michael.

MICHAEL - Let's see you guys work. I'll go watch the Super Bowl.

GHOR - No, no, no, no.

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C 4010

MICHAEL - [redacted] owl's on.

CHARLIE - Sit in and help.

GHOR - What would you like to have?

CHARLIE - We can watch the Super Bowl here.

GHOR - Would you like to have something?

CHARLIE - We have some good fruit here for you, Michael.

GARBLE

MICHAEL - Fruit is fine. I just had (garble)

MICHAEL - Nice to see you.

CHARLIE - Nice to see you.

MICHAEL - You are looking fine [redacted]

(GARBLE)

CHARLIE - You are looking fine [redacted] too. I am glad things are going well for you.

MICHAEL - Ahh. I am fine.

CHARLIE - (Garble) Sounds like you more than held your own.

MICHAEL - I almost froze to death in that....

CHARLIE - In, in Rome?

MICHAEL - Oh, the court was so cold, oh my God.

CHARLIE - Uh, they didn't heat it.

MICHAEL - Yeah. No. Well, they turned to, it was cold day and they, uh, ran the heat until about 12:30 and then everybody started leaving for lunch. And we kept going on and on and on and then finally around quarter to three they asked me this question. And I said, "I can't answer this question." So the judge saw a ray of light and he said well let's adjourn.

(LAUGHTER)

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MICHAEL [redacted] journ. (Laughter continues.)

GHOR [redacted] What is the end?

MICHAEL - Uh, they'll have another hearing on the 8th of March and another one in April and so forth. It is going to be a while before this is over. Yeah. It is not so simple. Not so simple.

CHARLIE - Well we need to, from these new general terms, I need to get with Ollie. (GARBLE) I've, I've seen Ollie one, two, three times since he, he saw you.

MICHAEL - Yeah.

CHARLIE - But, he, he has been in a whirl ...

GARBLE

GHOR - And it turns out that we agreed that we do the whole operation for him in the United States which is the most important part. And to, to arrange for him the whole operation in the United States.

CHARLIE - With Ollie?

GHOR - No, no.

CHARLIE - Oh

GHOR - Against United States

CHARLIE - Oh.

GHOR - And he will, he will supply ....

CHARLIE - (GARBLE) Another operation in the United States.

GHOR - .... and he will supply another ten million dollars for this start for bomping and, and, and uh, assassination in U.S.

MICHAEL - You said bomb and assassinate in the United States? Can we go to the State Department first? (LAUGHTER)

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(GARBL[redacted]

MIC[redacted] Listen. I'll give you some offices on the sixth floor.

(LA[redacted]GHTER)

CHA[redacted]

[redacted]

GHOR [redacted]

CHARLIE/MICHAEL - Yeah.

GHOR - So, now Charlie, you kn[redacted]what we can do for you. We expect from you to hear from y[redacted] direct, director make his decision what you want to do. [redacted]ow you want to do with us. They are ready now, prepared any second we are prepared now we are ready to go, too. You hav[redacted] all the steps, all the proofs, and we are not saying that you [redacted]'ll coming next month, next year we say just five minutes from now you can just (unintelligible) the steps you can meet them, you can see them, you can talk to them. You can walk to them. (LAUGHTER)

MICHAEL - [redacted] can come with his machine. He can lash everyone of them up to his machine. (LAUGHTER)

CHARLIE - So we can meet your people, talk to the[redacted].

GHOR - All of this.

CHARLIE - and, and we won't (garble) I won't, (LAUGHTER) I don't like the polygraph, either.

GHOR - No, no that, that's fine but this is the, is the way. Now really you must make it serious. What do you want to do for us? Is not going to be a one way street.

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CHARLIE ... got to be a long term plan. We have to go over our plan. If we enter this relationship to work with you, Michael here, trying to find a way to bring back the kind of, bring into power the kind of government that you want then we have to establish uh....

GHOR - This is this whole problem...

CHARLIE...basic rules of order.

GHOR - (garble) this is (garble) we will do it.

MICHAEL - No, we are doing this. Don't worry about that.

GHOR - This is...

MICHAEL - GARBLE -

GHOR - This is going to be very, eh, this is going to work very well. But the step is this step now. I was talking to, to, to [redacted] and to the other people, you know the Khomeni has decided to step down.

MICHAEL - HMMM

GHOR - On the 11th of February. And to, to resign and to bring the new leader in charge to settle for a time. You know, he wants everything be fixed when he dies.

CHARLIE - Montezari will ?

GHOR - Montezari. We are holding our own very well. This is a big fight. There are certain leaders who don't like it to be done on the 11th of February. Instead to be done on the, on the March, 21st of, March, the new year. We are fighting for this to be done because that is why the day before yesterday

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CHARLIE - Yeah

GHOR - [redacted] He officially stated that the best choice that Ayatollah Montezari come up. This was all push. Cause we want him to (unintelligible) So but, but old friend called [redacted] from the home of Ollie. I talked twice to him very late in the evening from his room. And he said these are the most sensitive days in our history. Where are our friends American? And we need a lot of stuffs. (LAUGH)

MICHAEL - He has it.

GHOR - Nothing yet. Who, who [redacted] ave him a penny.

GARBLE

MICHAEL - So money he wants?

GHOR - Yes. He has no money. I will take the money. The American they charge. We, we [redacted] nd out that the, the, four, five hundred eight (unintelligible) American receive nothing (Unintelligible) we spend the money for you. What, who got the money? Who got the money?

MICHAEL - Well, we didn't get - the money is on the accounts.

GHOR - No, they said they spent all [redacted] an[redacted] expenditure and there is no money left even a penny.

MICHAEL - Who said this, the Israelis?

GHOR - Yes. And they said to American. I don't know to (garble) discussing this. This is the official answer they have now.

MICHAEL - Well, I mean thank God I don't know anything about that one.

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GARBLE

GHOR[illegible] for the other profit - calling ten times a day my house and today was very angry and threatening...

CHARLIE - He was getting very coercive.

GHOR[illegible]...because you told me I shouldn't talk to him. And I don't talk to him so he thinks I, I, he thinks I put them out of the business. And I told you .....CONVERSATION ENDS.

NO FURTHER CONVERSATION ON THE TAPE

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18 Feb 86 c
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Allen Ex. #33

EXCLUSIVE DISSEMINATION
The Director of Central Intelligence
Washington, DC 20505

UNCLASSIFIED
National Intelligence Council

NIC 00812-86
18 February 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Interview with Subject, 26 January 1986

1. I met with Subject for three hours at the Churchhill Hotel in Portman Square, London, on the evening of 26 January 1986. We spent about half this time going over photographs that had been passed to an American official a few days earlier. Subject also described a number of terrorist plots and discussed the relationship that he wished to develop with the Agency.

2. Subject began the meeting with a lengthy diatribe against the Agency officer whom he met recently by the name of [redacted]. He stated [redacted] had asked him for Subject's file on Ayatollah [redacted], a strong Line One proponent in Tehran. He described this request as "out of line" and that [redacted] association with those wishing to change the nature of the government in Tehran was "a very sensitive matter". He accused the Agency of wishing "to go directly to the source" with the objective of "backmailing" [redacted] into working for the United States. He stressed that [redacted] was destined to be a future leader in Iran when the change in government occurs, that he was working very closely with [redacted], and that he resented the Agency's effort to contact [redacted] directly. Subject also complained about the manner in which his recent polygraph had been conducted by the Agency, asserting that there had been semantical problems with the polygraph operator who spoke no Farsi. He said he "felt sorry" for the Agency because of "the poor quality" of those officers working on the Iranian desk. [redacted]

3. Subject claimed that he had worked with other Iranians for the last six years at great personal expense and sacrifice, endeavoring with others to build an organization inside and outside of Iran that is capable of challenging the Line Two. Subject recounted how much he had suffered since the Khomeini regime had come to power. He said that he had lost "his best friends" and that his sister had been tortured.

4. Subject claimed that his organization had such influence he could get subjects inserted into the debates in the Majles. He also asserted that he could get a subject discussed at the Friday prayers by President Khamenei. He

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by K. Johnson, National Security Council

CL BY [redacted]
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claimed that "we control the President like a chicken." He noted that his organization is not "a broker of change" but "an architect". He stated he had put his personal fortune and the lives of his family at stake in order to seek such change in Iran.

5. [redacted] He again recounted how the US [redacted] had put out "the word" on him because he would not agree to be "a controlled agent." He also asserted that as an procurement agent for the current Iranian Government, he could write checks for millions of dollars, and displayed a checkbook as well as records of deposits of large amounts of money.

6. Subject stated that he and his organization wished to enter into a relationship with the Agency in order to draw upon its resources to effect change in Tehran. He asserted that "we do not wish to be kingmakers" only the right to be "a small partner" whereby his organization and the United States could work toward mutually beneficial goals. He claimed that his organization had over $100 million in assets in Iran. With some emotion, he stated that he loved his country and that he wished to return with his family. His whole being was dedicated toward this effort. He compared his organization to "a company" which had certain assets. His organization was more than willing to provide information as part of the bargain; this was understood. Subject described himself as "an unusual individual" who is straightforward in his dealings. He said that he would not "trick" anyone, unless he found himself dealing with deceptive individuals or organizations.

7. [redacted]

8. [redacted]

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Page 3 & 4 Denied in its entirety

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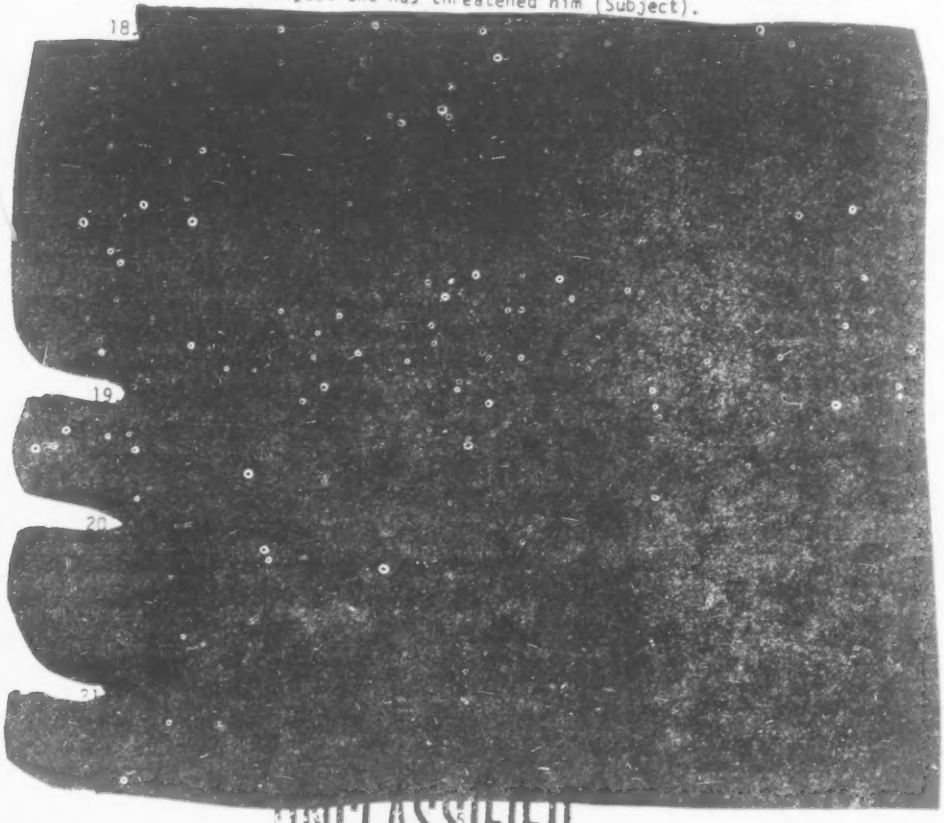
17. Subject recounted problems that he was having with Col. Jacob Nimrodi, an Israeli who runs an import-export business out of Tel Aviv, London, and New York. He commented that Nimrodi claims to be worth $75 million, including 10 million pounds in the UK Midlands Bank. Nimrodi, according to Subject, is unhappy over being excluded from certain business arrangements with Subject and has threatened him (Subject).



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[redacted]

22. Subject again raised the question of his relationship with the Agency. He emphasized the need for an early decision and noted that "this would not be a one-way street." Subject noted that [redacted] was gaining in stature but would need some financial support as he consolidated his position. According to Subject, Khomeini may soon step down in order that a proper succession can occur in Iran. [redacted] and others are urging that Khomeini step down on 11 February but this may not occur until 1 March. Ayatollah Montazeri will be Khomeini's successor.

23. [redacted]

24. [redacted]

Charles E. Allen

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SECRET/NOFORN/NOCONTRACT/ORCON

UNCLASSIFIED Coded by Levine 86-4068E

DATE	DESCRIPTION - TO FROM
undated	CIIN 173-Memo to DCI from C/NE/DO RE: Comments on Ghorbanifar's Recent Meetings with NIO/Terrorism
undated	CIIN 174-Memo to DCI from C/NE/DO RE: Meetings with Michael Ledeen Manuchehr Ghorbanifar
undated	CIIN 175-Memo to C/NE [redacted] from C/NE/Iran RE: Request for Assistance
20 May 85	CIIN 176-Memo to [redacted] from C/NE RE: Request for Communications Equipment
20 May 85	CIIN 177-Memo to [redacted] from C/NE RE: Request for Support
13 Feb 86	CIIN 185-Cable to U.S. Customs Service Intelligence Division/Liaison RE: Flight Clearance

I 0277

Partially Declassified/Released on 26 Jan 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

Allen Ex. #34

5014

UNCLASSIFIED

~~SECRET~~ 86 00372

UNCLASSIFIED

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence
Deputy Director for Operations

FROM: [redacted]
Chief, Near East [redacted] Division

SUBJECT: Comments on Ghorbanifar's Recent Meetings with NIO/Terrorism

I 0278

1. The information provided by Manuchehr Ghorbanifar in the attached memoranda (Attachment A), like any good fabrication, contains elements of truth (names, titles, responsibilities and political leanings of Iranian officials, etc.). For example, [redacted] the three Iranian officials who supposedly will visit France next week for R&R are fairly well-known clerics. But, this type of information is readily available and, for the most part, is overt. [redacted]

2. Ghorbanifar also has provided information which is garbled and seemingly inaccurate. [redacted]

[redacted]

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[redacted]
DEC. OADR
DERIVED FROM HUM 4-8

CIIN #193/E 01

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3. There are two items in the attached memoranda, however, which are clearly untrue:

(a) [redacted] As a result, questions were included in the examination concerning the veracity of these statements. The examination indicated deception on the information he provided on this subject. In the follow-up questioning, Ghorbanifar showed himself to be evasive and often reluctant to answer the questions and contradicted himself on relevant points. This was reported in the operator's writeup.

0279

(b) [redacted] Since this was a solid statement made by Ghorbanifar, we planned to test him on its veracity and included in the polygraph a question concerning whether he actually obtained the SAVAK file on [redacted]. In the pre-test interview, however, he said that he never had possession of these documents, but had heard about them. As a result, we deleted this question fror the testing and no further discussion was held concerning the file.

4. [redacted]

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[redacted]

5. [redacted] This is yet another example of Ghorbanifar not producing when the chips were down.

6. It is also worth pointing out that each of Ghorbanifar's schemes involve substantial sums of money which he would receive in exchange for his services. In his proposal to "sting" the Libyan Government, he expected to obtain [redacted] $10 million and his latest proposal concerning [redacted] $50 million. Over and over again in his file the monetary angle is present in all of his proposals.

7. As far as the Israelis are concerned, it is interesting to note that in the memorandum of 18 February 1984, Ghorbanifar stated he is having difficulty with former Israeli official Jacob Nimrodi. It was through this official that Michael Ledeen was originally introduced to Ghorbanifar. This falling out might be due to the financial arrangements made in the negotiations.

8. The major problem with Ghorbanifar's information is sorting out fact from fiction and we will never be certain which is which. While Ghorbanifar has contact with Iranian officials, there are real questions about his motivation and control. It is not at all clear which side he is working for. In fact, his polygraph indicated that he is under Iranian Government control. Unfortunately, the U. S. Government has enhanced this fabricator's credibility with the Iranians by using him as an intermediary in the negotiations for the hostages.

82-883 1040 UNCLASSIFIED

UNCLASSIFIED

9. We have traced several of the individuals mentioned in Ghorbanifar's memorandum and the results are contained in Attachment B.

[redacted]

C/NE

ATTACHMENTS:
As stated above

I 0281

UNCLASSIFIED

10 Feb 86
C 1466

Allen Ex #35 UNCLASSIFIED

ROUTING AND RECORD SHEET

SUBJECT: (Optional)
SPOT [redacted]

FROM:
[redacted]
Chief, Near East [redacted] Division

EXTENSION [redacted]

NO

DATE
10 February 1986

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. SA/DDO [redacted]				[redacted] Adnan Khashoggi is in the process of brokering [redacted]
2.				
3.				
4.				
5.				
6.				
7.				Gorbanifar is the Iranian fabricator with whom the NSC has been in recent contact on the hostage matter. Gorbanifar is now in London working out specifics with Khashoggi. [redacted]
8.				
9.				
10.				
11.				
12.				
13.				
14.				We have advised [redacted] that Gorbanifar is a known wheeler-dealer and fabricator.
15.				DO 305211
				Orig: [redacted] 03-1/30

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under provisions of E.O. 12356
by K. Johnson, National Security Council

5015

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REVIEWED FOR RELEASE
Date 27 March 92
HSC & SSC

C11N 1025

FORM 30

10 Feb 86

C 1467

UNCLASSIFIED

[redacted]

86 9870118 ASR PAGE 001
TOT: 10[redacted]FEB 86 DIRECTOR 729624

S E C R E T
STAFF 10[redacted] DIRECTOR 729624
TO: [redacted]

SUBJECT: [redacted]

REF: [redacted]

1. APPRECIATE REF. ADNAN KHASHOGGI'S [redacted] IRANIAN CONTACT REF IS MANUCHEHR GORBANIFAR. GORBANIFAR IS THE SUBJECT OF A FABRICATOR NOTICE (DIRECTOR 023056) ISSUED IN JULY 1984, BASED ON RESULTS OF TWO [redacted] WHICH INDICATED HE WAS PRACTICING DECEPTION ON ALL RELEVANT QUESTIONS AND DELIBERATELY PROVIDING FALSE INFORMATION. GORBANIFAR OPERATES AN IMPORT-EXPORT BUSINESS IN PARIS AND REPORTEDLY IS INVOLVED IN ARMS PROCUREMENT FOR IRAN. GORBANIFAR HAS CLAIMED CONTACTS WITH [redacted] BUT HAS NEVER IDENTIFIED HIMSELF AS AN OFFICIAL OF THAT OFFICE. [redacted]

2. FILE: [redacted] DECL OADR

DRV [redacted]
ORIG [redacted] COORD [redacted]
CL BY [redacted] AUTH: [redacted] REL:

END OF MESSAGE SECRET

5016

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REVIEWED FOR RELEASE
Date 27 March 87
HSC & SSC

CIIN 1026

4 Feb 86
C 1468

UNCLASSIFIED
SECRET

[redacted]

86 DD03681 ASR PAGE 001
TOR: 04 [redacted] FEB 86 IN 000181

SECRET 04 [redacted] STAFF

CITE [redacted]

TO: DIRECTOR [redacted]

SUBJECT: [redacted]

1. [redacted] KASHOGI'S MAIN IRANIAN CONTACT IN THIS AFFAIR IS MANNCHEHO GHORBANIEAR (SIC) [redacted] GHORBANIEAR IS NOW IN LONDON, WORKING OUT SPECIFICS WITH KASHOGI.

2. FILE: DEFER. DECL OADR DRV [redacted] ALL SECRET.

END OF MESSAGE SECRET

5017

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[redacted]

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CIIN 1027

/HA SA0661

DO 3003208
03 .01/30

APPROVED FOR RELEASE
Date 27 March 87
NSC & SSC

SECRET

UNCLASSIFIED

CHARLES ALLEN, NIO/T

ADNAN KHASHOGGI IS IN THE PROCESS OF BROKERING

KHASHOGGI'S MAIN IRANIAN CONTACT IN THIS MATTER IS MANUCHEHR GORBANIFAR

GORBANIFAR IS NOW IN LONDON WORKING OUT SPECIFICS WITH KHASHOGGI.

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5018

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C11N 1028

REVIEWED FOR RELEASE
Date 22 March 87
HSC & SSC

7 Feb 86
N 9213
Allen Ex. 36

TOP SECRET UNCLASSIFIED

February 7, 1986

[redacted] came to town to give me the attached this morning. The marginal notes and parentheses are mine based on questioning of Mike.

Observations:

1. Mike says he doesn't trust us and he would like a clearer picture of who is managing this. I told him he didn't need to know who, he had a point of contact; and I repeated the litany that no one trusts the group he represents either, but we are willing to explore.

2. [redacted]

3. [redacted]

4. [redacted]

5. [redacted]

6. In short, this is still as flaky as ever. [redacted] I am still very dubious.

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TOP SECRET
Declassify: OADR

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Doc 34
12/F

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DOCUMENTS N9214 & N9215 DENIED IN THEIR ENTIRETY

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Allen Exhibit #37

(I 0153 - I 0154)

(2 pgs)

DENIED IN its

ENTIRETY

5020

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Allen Exhibit #38
(1 0151 - 1 0152)
(2 pgs)

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23 Feb 86
Allen Ex. 39

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2/23 KC

C 216

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(10)

C 217

Conversation with G on 23 February, 2010 hours

A. I've been trying to get ahold of you. Mr. Goode wanted to know when he should come to see you. You were making some arrangements with Mr. [redacted] to meet with Mr. Goode. So Mr. Goode is very anxious [redacted] when he should come.

G. OK. I talked today with the gentleman you mentioned and the PM's office. All is set for a meeting at 2:30 pm on Tuesday.

A. Then Mr. Goode will leave tomorrow evening. He will meet you at the same place for meeting at 2:30 pm in the afternoon. Is that correct?

G. OK. This is very advisable that he have more White hair on his head. White color to his head. White hair for them results in more respect.

A. This can be arranged.

G. This is very valuable. Tell him (Mr. Goode) this is a real breakthrough. They have made up their minds, and we have brainwashed these people and have instigated them against the northern neighbor so they are ready to make a real firm response and collective cooperation for the future. They should also be ready to be "large" and to play their game just to make them showoff. I think this time with all the strings I have pulled now it is going to work out. I was not told how they arrive, what their original arrival, their arrival was supposed to be by a private jet which belongs to P.M. I think they were very much concerned about the secrecy of mission and not to call attention to this arrival. Not to bring any attention to the country in which the meeting is to be held.

A. So, they will come normally.

G. I believe they will arrive the same day at 1030 in the morning. It is also very advisable if you can spot them on arrival when they are all together and take the necessary photographs. Then you and I can discuss about these photographs later because there could be some other people with them who stay inside and don't show up in the meeting. By this way, you may have some more collective information who is in charge of making such important decisions.

A. I think that sounds good and we certainly will take that into account.

G. So count on Tuesday morning arrival by the national carrier which normally arrives at 1030. I'm going to have lunch with the head of the delegation, but I believe there should be some other heads of the delegation for confirming and making the necessary policy making.

A. Then Mr. Goode and any other people who would be coming with him will certainly have to leave tomorrow night in order to be ready to do business at 2:30pm on Tuesday. To Mr. Goode, this is a critical meeting and we hope all will be resolved.

G. That is a real breakthrough for all of us. We hope it works but there is something which could not only upset these arrangements but could also be really bringing the end of the life of those people which we are working on. That brought to me a very critical and deliberate mistake the name of an

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C 218

individual as a member of your delegation which has such a bad name in my place. He's a real Jewish gangster. He has one of the heaviest files in that organization which is following up the people. This is a very dangerous mistake; I don't know who made it on your side to give up such a Jewish name at such a critical time for such an important meeting. If I didn't know about this, then it could be the end of everything.

A. You're talking about the man you're meeting with one on one at the Sheraton.

G. No, the name of the name he gave to me was supposed to attend as a member of your delegation. His name started with "Albert"--a Jewish man--which I told him if it came up it could be the end of everything.

A. So I should tell them?

G. No. This they know and they dropped it. He is a target for them. He was supposedly the cover agent for the cover company to make
I will discuss this with you when I see you. Just remind me to discuss it. Those two uniformed men who were recently lost in a third country are now definitely in the hands of the IRGC.

A. You bring nothing but good news overall and I really do look forward to seeing you again because we have a lot to talk about.

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C11005[illegible]

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ALL MEMORANDA AND REPORTS SUBMITTED BY GEORGE CAVE DURING HIS ASSOCIATION WITH THE ASC [illegible] IRAN IN 1968-69 --HEREINAFTER CITED AS ASC PROJECT.

DATE	DESCRIPTOR - TO/FROM
undated	CIIN 0251 - Cave Document, relating information obtained from Ghorbanif

Allen Ex. #40

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by K. Johnson, National Security Council

5023

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Ghobanifar (GH)

1. [redacted] WAS VERY RELAXED AND SAID THAT EVERYTHING WAS ARRANGED. HE SAID HE MIGHT GO TO TEHRAN IMMEDIATELY AFTER OUR DISCUSSIONS TO V MAKE SURE EVERYTHING STAYS ON TRACK.

2. WOANTEDA TO KNOW WHO WOULD BE GOING TO TEHRAN. TOLD HIM MACFARLANE, [redacted] GOOD AND O'NEIL. PLUS A COMMO SPECIALIST. HE THOUGHT THAT WOULD BE FINE.

3. WE TOLD HIM THAT WE DID NOT WANT TO GO INTO DETAILS AS THIS WAS GOOD KNOW AND HE WOULD EXPLAIN EVERYTHING THIS AFERTNOON. WE DID SAY THAT GOOD HAD DRAWN UP A SCHEDEULE THAT WE W HOPED WOULD BE ACCEPTABLE TO THE OTHER SIDE. WE EMPHASIZED TO HIM THAT IIF THIS THING IS TO WORE HE MUST PLAY A KEY WHICH WE WILL EXPLAIN TO HIM IN GREAT DETAIL THIS AFTERNOON. HE SEEMED PLEASED WITH ALL THIS. HE WAS GOING TO CALL TEHRAN IMMEDIATLY AFTER WE LEFT TO EXPLAIN THAT WE WERE LINING UP ALL TH DUCKS.

4. HE SPENT SOME TIME TELLING US THAT WE MUST MENTION NOTHING ABOUT ISRAEL IN OUR MEETINGS AS THIS COULD QUEER THINGS. HE SAID MAYBE WE COULD MENTION ON LEAVING THAT THEY COULD RELY ON [redacted] (GH) ON THIS CASE. (WONI HOW MUCH THIS IS GOING TO COST THE ISRAELIS).

5. HE ALSO SADI THAT WHILE IN TEHRAN HE HAD TALKED TO THE CONSERVATIVE LEADERS LINE NO. 1. [redacted] ACCORDING TO OUR RECORDS). [redacted] SAID THAT HE HAD ARGUED WITH THEM THAT THIS WAS A GREAT OPPORTUNITY. THEY ARE GOING TO GET INTO POWER AFTER KHOMEINI GOES. SO LET SOMEONE ELSE MAKE THE OPENING TO THE AMERICANS.

6. [redacted] (GH) ALSO BRIEFED CERTAIN MILITARY LEADERS ON THIS PROJECT TO GET THEI SUPPROT. NEEDLESS TO SAY THEY WERE ENTHUSIASTIC.

7. ASKED [redacted] (GH) FOLLOWING GIVIEN A SUCCESSFULL MEETING, WHO WILL HANDLE THE FOLLOW UP ON THE IRANIAN SIDE? THIS CAUGHT HIM BY SURPRISE AND HE SAID THT HE THOUGHT IT WOULD HAVE TO INVOLVE BOTH RAFSENJANI FROM LINE THREE AND SOME PEOPLE FROM LINE ONE. HE SAID GIVEN THIS HE THOUGHT IT ESSENTIAL THAT THE GROUP ALSO MEET WITH PEOPLE FROM LINE ONE WHICH HE COULD ARRANGE. AS AN ASIDEHE SAID THAT MUSAVI IS BIG PROBLEM IN THAT HE REALLY DOESN'T L LIKE YOU GUYS.

[redacted]

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CIIN #0251

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9. WE TOLD HIM THAT WE WANTED TO STRAIGHTEN OUT THE DIFFICULTIY OVER THE DIRECT PHONE CALLS TO [redacted] TOLD HIM THAT THE CALL WAS INSTIGATED BY [redacted] AND NOT US AND IN OUR REPLY WE TOLD [redacted] THAT WE CONSIDER THE DEAL TO BE AS ENUNCIATED IN FRANKFURT. [redacted] SAID THAT PROBLEM SOLVED AS IT WAS HE WHO TOLD [redacted] TO CALL US INDPENDENTLY TO CHECK ON HIM AND HIS HONESTY VIA ANOTHER CHANNEL. THUS ENDED THIS CONVERSATION.

10 THERE WAS SOMETHING IN HIS CONVERATION WHICH LED US TO BELIEVE HE INDICATED TWO TRIPS TO TEHRAN.

11. WE HAD TO LISTEN TO AT LEAST A HALF AN HOUR OF TALK ON HOW CAREFULL WE MUST BE IN DEALING WITH THESE GUYS AND HOW WE NEEDED SUCH A PERSON AS HIM TO GUIDE THE WAY HE KNEW HOW TO HANDLE THEM.

12. HE ALSO PROPOSED THAT WE USE PROFITS FROM THESE DEALS IR AND OTHERS TO FUND [redacted] WE COULD DO THE SAME WITH NICARAUGRA.

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CIN #0251, page 2 of 2

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Allen Rx #41
2 APR 86

NIC 01716-86
2 April 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Subject

I 0166

1. Subject called on 31 March 1986 to inform me that he would be arriving on Thursday, 3 April on the Concorde from London. He stated that he was prepared to discuss the "principal matter", which he reasserted "was essentially behind us." He was hopeful that we could soon begin to develop a relationship in other areas.

2. I told Subject that I would pick him up at the airport and transport him to his hotel.

Charles E. Allen

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2 APR 86

NIC 01715-86
2 April 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Subject

I 0167

1. On Sunday, 30 March 1986, Subject endeavored to contact me but I was away from home when the call came. Later in the afternoon, Adam called to state that he wished to relay to me a message from Subject. Adam stated that Subject would arrive here Thursday afternoon, that he would remain here during the day Friday, but would leave again for Europe either Friday evening or Saturday morning.

2. Adam stated that Subject wanted reassurance that the US side would not attempt to bypass him in dealing with his fellow countrymen. He stated that Subject would seek specific assurances during this visit.

3. Adam then stated that he felt it was unwise to try to eliminate Subject from the negotiations because of the hold that Subject has over the [redacted]. The [redacted], according to Adam, reports all such direct contacts to Subject. Adam stated that he recognized Subject was not always truthful but that, with patience, the principal matter could be resolved by keeping Subject involved as originally envisioned. Adam stated that he intended to call Mr. Cooke and would be explaining to him his views on the matter. In response to Adam's comments, I stated that my responsibility was to collect the facts, not to get involved in detailed strategy planning.

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CIA #499 / A 13

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2 APR 86

DO NOT REPRO

NIC 01714-86
2 April 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Subject

I 0165

1. At the urgent request of Mr. Goode on 28 March 1986, I called Subject in London. Mr. Goode had explained that he had learned from Adam that Subject was emotionally upset and had told Adam that he had learned he was being shoved aside from participation in the "principal matter". Mr. Goode requested that I explain to Subject that this was not our intention at all and to invite Subject to Washington as soon as possible, hopefully on Monday, 31 March. I called Subject in London who answered the telephone immediately, even though it was after 0300 there. Subject stated that he was indeed upset, explaining that the [redacted] had called him and told him about a telephone call from Hakem in which the latter claimed to be speaking for the President. Hakem had informed the [redacted] that there was no requirement for Subject to be involved.

2. Subject stated that this was the second time this had happened, that the [redacted] always reports to him in detail on such approaches, and that the effort by Hakem undermines his credibility. He stated that the principal matter is essentially behind us and once this is indeed resolved, there is no limit to the topics that might be discussed.

3. Subject stated that he could not come to Washington on Monday, but would endeavor to arrive on Thursday in order to explain to Mr. Goode his views and to seek assurances that our side did not again attempt to cut him out of the negotiations.

4. I asked Subject to stay in close touch with me and to call me on a daily basis if possible.

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ID #497/A11

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31 MAR 86

NIC 01676-86
31 March 1986

I 0164

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Subject

1. Subject called me late in the afternoon of 28 March 1986 in response to a call that I had made earlier. I told Subject that it was important for him to know that we intended to continue to do business with him and that we would provide him with appropriate support in some of his endeavors. From conversations that he had earlier with me and a consultant to the NSC, I had discerned that he believed that there was no interest in a long-term relationship. I assured him this was not the case and that someone would be meeting with him after he made his trip down south (i.e. Bahrain). Subject seemed reassured by these comments.

2. Subject stated that he had "excellent news" for Mr. Goode and that I should have Mr. Goode call him as soon as possible. I told Subject that Mr. Goode was extremely busy and that I was not certain he was even in the city, but that I would endeavor to make contact.

3. Subject stated that he would be leaving shortly for the continent and would be spending the next three to four days in his home in Nice.

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CIIN #496 / A 10

SECRET/NOFORN/NOCONTRACT/ORCON
[redacted] Information

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28 MAR 86

DO NOT REPRO

NIC 01654-86
28 March 1986

I 0163

MEMORANDUM FOR THE RECORD

SUBJECT: Relationship with Subject

1. A consultant to the NSC called me on the afternoon of 27 March 1986 to state that he had just talked with Subject who is currently in London. In this conversation, Subject requested that all of the original documents and photographs he had provided the Agency be returned immediately. He requested that documents pertaining to [redacted] in particular, be returned.

2. According to the NSC consultant, Subject was extremely unhappy with what he believed to be deceptive actions by the Agency. Subject claimed that the apartment of his girlfriend in California had been entered and her personal effects rifled through. In addition, a business associate in New York, Fernmark (phonetic) had his office entered as well. Subject stated that he suspects that the Agency was involved in these activities and, as a result, has decided not to work with the Agency on issues relating to terrorism.

3. The NSC consultant stated that from Subject's perspective, the Agency has been totally unresponsive in assisting him in his endeavors. Subject is already under pressure in "work in the principal matter" and now feels psychologically damaged by the Agency's unresponsiveness. Subject cited the [redacted] as another example of perfidy.

4. The NSC consultant stated that Subject also complained that he received no assistance with [redacted]

5. The NSC consultant stated that he wanted to convey Subject's comments to me as quickly as possible because he believed that Subject intends to sever all relationships with the Agency.

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by K. Johnson, National Security Council

Charles E. Allen

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CL BY [redacted]
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CIIN #494/A 09

28 MAR 86

SECRET/NOFORN/NOCONTRACT/ORCON

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NIC 01649-86
28 March 1986

I 0161

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Subject

1. Subject called me on the morning of 27 March 1986 to inform me that he had decided to travel to Bahrain. He stated that he must go to Bahrain in order to sort out the serious financial problems that had occurred as a result of a sale of Yamaha boats to a Bahraini import/export executive by the name of al-Murbati. Before he could undertake this trip, however, he required that I return to him certain documents [redacted] In addition, he requested that I the originals of two Farsi documents as well as the photographs that he had given me. He requested that I provide these documents as soon as possible to an NSC consultant so that they could be sent by express mail. He also asked that the NSC consultant call him in London where he was currently staying (telephone [redacted]

2. Subject stated that his financial situation was currently precarious because of the al-Murbati affair and that his own credit too has been shut down in Geneva where he does his banking. He complained rather plaintively that he had covered the bad debt [redacted] but now finds himself without a cash flow. He stated that it was imperative that he solve the Bahrain affair immediately in order to keep himself afloat financially. He indicated that he had talked to certain important officials in a neighboring country who had agreed to assist him in (leveraging) al-Murbati.

3. On the "principal matter", Subject stated that an important meeting would occur tomorrow at 1600 hours in Tehran. The principal issue would be discussed at this meeting and that Khomeini himself would be consulted. He expected some "very positive" developments as a result of this meeting and stated that he would know by tomorrow evening the results. He requested that I call him in order to obtain the results of that meeting. If the meeting concludes with a positive outcome, he expected that Mr. Goode and he would have to travel to Tehran fairly quickly.

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4. Subject discussed terrorist activities briefly, stating that the Iraqis were behind the recent bombing along the Champs Elysee in Paris. He also stated that the bombing that occurred early today in Athens was unquestionably the work of Libya and Syria, perhaps using Abu Nidal. He also stated that he

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CIID #494/A 08

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would like to resurrect the proposed scam against Qadhafi. He believes that the operation is feasible and could be conducted fairly shortly. Unless this operation was concluded, which would bring humiliation to Qadhafi, he expected the Libyan leader to engage in a campaign of terrorism against the US.

5. Adam called later in the morning to inform me that [redacted] was indeed in London. He also reported much of what [redacted] had told me. Adam again acknowledged that he and his associates were assisting [redacted] financially in an effort to get him over the current financial crisis.

Charles E. Allen

I 0162

#494

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[redacted]
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24 MAR 86

NIC 01572-86
24 March 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Adam

I 0160

1. I called Adam on the morning of 24 March to determine the location of Subject. Adam informed me that he had talked with Subject the previous evening and that he was in Paris. According to Adam, Subject intends to travel to London late this afternoon and to spend the night there. He can be located either at the Churchhill Hotel or at another telephone number previously made available to us by Adam.

2. Adam stated that Subject continues to show evidence of being under pressure to produce but thought that this pressure was appropriate, provided that the US side was sensitive to some of Subject's needs. One of these is Subject's current financial status. In an effort to bail out [redacted] Subject allegedly has had to utilize funds from his wife's account. Adam again reiterated that he and others associated with him on this endeavor were attempting to support Subject financially. Adam also reiterated his view that Subject should also be supported in his other endeavors (i.e. terrorism) inasmuch as Subject's credibility apparently is at stake with some of his associates.

Charles E. Allen

cc: C/NIC
DONE
[redacted]

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CL BY [redacted]
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C1110 #493/A 07

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COS E
21 MAR 86

NIC 01512-86
21 March 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Subject

I 0158

1. Subject called on 20 March 1986 from Nice to inform me that he had just returned from a meeting with Adam. He had briefed Adam on his trip to Tehran where he had met with some senior Iranian Government officials on "the principal matter." He stated that he had talked to the Prime Minister, Speaker of the National Assembly Rafsanjani, and Ahmad Khomeini (son of the Grand Ayatollah). These discussions had been very stressful but some useful developments had occurred. A report was being sent by express mail to Mr. Goode in Washington. Enclosed in this report were some technical requirements from the Iranian military. He was hopeful that a meeting of the principals could be conducted in the near future.

2. Subject stated that he had a very interesting discussion with the Iranian Prime Minister who had expressed concern over the espionage activities of the Soviets. [redacted]

3. According to Subject some significant changes should be occurring within the Iranian Government in the next ten days. These changes are very interesting and have been carefully pre-planned. In Subject's view, this would create a somewhat different environment for the initiative of Mr. Goode but the problem was workable. He noted that Ayatollah Khomeini himself remained very ill.

4. Subject stated that he had provided several photographs to Adam including one of the next Prime Minister. He also requested that I return to him the originals of all material he had provided me at meetings in January. He asked that they be sent to him via an associate who would be coming to Europe around 10 April. I assured him that I would provide him with the originals.

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CL BY [redacted]
DECL OADR

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CIIN # 338 (86-4243, #5)

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5. Adam, in a conversation with me later on 20 March, confirmed that he had met with Subject and that the proposals made by Subject were "somewhat" promising. However, the sequence of events that were to occur during the next meeting with the principals was not acceptable. This could be worked successfully, however. Adam stated that Subject needed the help and support of all parties at this critical time, pointing out that Subject remains the central thread in this entire initiative. He noted that Subject in this latest meeting lacked his usual optimism and zeal. He said he found Subject almost totally exhaused. Adam also claimed that Subject urgently needs financial assistance because of arrangements that he has made to cover the indebtedness of others. He asserted that he was making arrangements to assist Subject at least temporarily.

I 0159

6. Adam stated that Subject had clearly lost some credibility with "key" associates because of his inability to deliver on the issue of terrorism. He asserted that Subject needs assistance in working on terrorism matters and was at a loss why more support was not forthcoming on the part of the United States. He thought there was "a tendency" on the part of the US to state that Subject could not deliver. We then ensured that this was a "self-fulling" prophecy by not providing him with assistance. He urged that the US Government be more responsive in support of Subject, again noting that he remains the best hope for a successful US initiative.

7. Comment: I tend to agree with Adam that we should work with Subject concurrently both on "the main problem" as well as on assisting him in terrorism, regardless of whether we find his information at this stage credible. He remains the single link to significant Iranian leaders who may be able to accomplish a major Administration objective.

Charles E. Allen

#493

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18MAR86

D. NOT REPRO

NIC 01442-86
18 March 1986

MEMORANDUM FOR THE RECORD

I 0157

SUBJECT: Conversation with Subject

1. Subject called from Paris late in the afternoon on 17 March, stating that he had just returned from Tehran. He said that he had met with key people in Iran, that he had had a difficult time, but that he believed he had achieved most of the objectives of the trip. He stated that he was calling from [redacted] in Paris and was endeavoring to get in contact with Adam but had been unsuccessful.

2. Subject requested that I contact Mr. Goode and Mr. Adam and to convey his request for an "emergency meeting" in order to discuss further the "principal matter". He claimed to have made certain unspecified arrangements for this meeting and implied that he had made arrangements for other Iranians to attend the meeting. He stated that he had other "good news" to tell Mr. Goode--again unspecified.

3. Subject stated that he would like to meet with me and my assistant Sam to talk about "the other subject" (i.e. terrorism) as soon as it was feasible.

Charles E. Allen

cc: DC/NE
[redacted]

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CIID #491/A 05

12 MAR 86
Tony

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DO NOT REPRO

National Intelligence Council

NIC 01306-86
12 March 1986

I 0156

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Subject

1. Subject called afternoon of 11 ~~February~~ March from Monte Carlo to inform me that he now plans to travel to Iran "by private jet" early on Thursday morning. He stated that he would remain there three days, returning on Sunday morning.

2. Subject, who had earlier in the week requested that I return certain materials relating to Iranian terrorist activity to him immediately, stated that I should not attempt to have the materials sent to him until he returned from Tehran. He stated that he would call me Sunday morning to advise where the materials should be sent.

3. Subject seemed somewhat unsteady and acknowledged that he was ill. He also noted that he was traveling to Iran at some personal risk but claimed to have good friends there who would protect him.

Charles E. Allen

cc: DC/NE
[redacted]

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CL BY [redacted]
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CIIN #490/A 04 UNCLASSIFIED

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11 MAR 86

Do NOT REPRO

National Intelligence Council

NIC 01270-86
11 March 1986

MEMORANDUM FOR THE RECORD

I 0155

SUBJECT: Conversation With Subject

1. Subject called me on 9 March to request that I return immediately some of the original materials that he had passed to me in my meetings with him in January 1986. Although he engaged in considerable double talk, he tried to portray himself as an individual who had asked for assistance in countering terrorism but had received no assistance. He stated that he recognized that some assistance probably would be forthcoming on the [redacted] but that he and his associates had to find ways to resolve that issue now.

[redacted] Subject stated that I should send the materials with other papers being sent to him by courier by Mr. Goode. I assured him that I would comply immediately with his request.

2. Subject stated that discussions on the "principal matter" that had occurred on Saturday in Paris had gone well, although there was additional work to be done. For this reason, he would be departing for Tehran in the near future. He stated that his associate [redacted] probably would also be going to Tehran as well.

3. I told him that I understood his impatience but that the "principal matter" must be resolved, prior to further interaction with him on matters of terrorism. However, if the "principal matter" was satisfactorily resolved, we would proceed immediately to work with him on other issues.

4. Comment: Subject seemed unusually subdued and less sanguine than in previous conversations that I have had with him.

Charles E. Allen

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CL BY [redacted]
DECL OADR

CIIN #489/A 03

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SC 2542 8 Jun 86

8 June 1986 Allen Ex #42

MEMORANDUM FOR THE RECORD

SUBJE[redacted]dmiral Poindexter on 5 June

The [redacted]ving subjects were discussed at the meeting:

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by R. Johnson, National Security Council

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4. [redacted] DCI also described efforts to [redacted] as well as a [redacted] suggested effort to ransom the hostages from Hizballah. He indicated that this might cost as much as $10M that could be raised privately. Poindexter agreed to talk to the President to see if this kind of an approach could be pursued privately given the Administration's policy on ransom. (S/NF)

5. Poindexter [redacted] suggested that preparations be carried out, however, against the possibility that we would have some sort of an intelligence breakthrough or special access that would give us real time knowledge of the location of the hostages--in which case the DF would probably have only 24 or 48 hours to act. In this connection, Poindexter wondered whether we could get a full-time DI analyst to help Charlie Allen. (S/NF)

Executive Registry
27 Jan 87
CL BY [redacted]
DECL OADR

CIIN 1433

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14. There was considerable discussion of a deal on the contras that would involve $100M being allocated $20M a quarter for a period of 15 months. There would be a second vote by the Congress, 6 to 9 months into the program on whether it should continue. The focal point for such a deal probably would be McCurdy, as well as a few others. The DCI indicated that such a deal would be all right with him. (C/NF)

Robert M

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CIN 1433

Executive Registry
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Allen Ex. #43

?30?JUN86. S=SAM [redacted]

AFTER GREETINGS:

S-WE SENT OUR FRIEND A PRICE LIST FOR THESE 240.

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[redacted]-WHEN?

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by K. Johnson, National Security Council

S-LAST THURSDAY.

[redacted]-THURSDAY?

S-RIGHT. IT MUST HAVE ARRIVED.

[redacted]-IS THAT THE SAME PRICE LIST THAT HE GAVE US ~~IN WHICH~~ THE PRICES WERE SIX TIMES HIGHER?

S-NO. THIS IS THE BASIC PRICE FOR THE 240 ITEMS. IT DOES NOT INCLUDE TRANSPORTATION COSTS, INSURANCE, AND A FEW OTHER THINGS. JUST THE SALE PRICE.

[redacted]-HE DIDN'T GIVE US THIS.

S-PERHAPS IT HASN'T REACHED HIM, BUT WE SENT IT LAST THURSDAY.

[redacted]-?YOU GAVE HIM PRICES? ((INAUDIBLE))

S-YES.

[redacted]-HE GAVE US A PRICE LIST, BUT IT WAS NOT LAST THURSDAY. IT WAS BEFORE THAT AND WHEN WE FIGURED OUT THE PRICES, THEY WERE ABOUT SEVEN TIMES HIGHER. NOW, I DON'T KNOW WHETHER YOU'RE TALKING ABOUT THAT LIST OR SOMETHING ELSE.

S-SOMETHING ELSE. THESE PRICES THAT HE GAVE YOU INCLUDED EVERYTHING--TRANSPORTATION, ETC. WHAT I'M TALKING ABOUT IS THE PRICE FOR WHICH THE 240 WERE SOLD.

[redacted]-SO IF YOU SENT IT THURSDAY, SHOULDN'T IT HAVE ARRIVED BY NOW?

S-IT SHOULD HAVE.

[redacted]-I'LL GET IN TOUCH WITH HIM TONIGHT, ??IF I CAN LOCATE HIM??

S-LOOK. MR. GOODE AND I ARE IN A BAD SITUATION HERE.

[redacted]-WHY?

S-BECAUSE THE HEAD OF OUR COMPANY IS VERY TIRED OF THIS DEAL; HE WANTS TO BREAK IT OFF.

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[redacted]-IT'S THE SAME FOR ME HERE.

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S-FINE. THEN BOTH OF US ARE IN THE SAME BOAT. C 201

[redacted]-WHAT?

S-WE ARE BOTH IN THE SAME TRENCH. WE'VE GOT TO BRING THIS THING TO A CONCLUSION AS SOON AS POSSIBLE.

[redacted]((FEW WORDS MISSED)) MY SITUATION IS EVEN WORSE HERE. ((FEW WORDS)) NOW, IF THESE PRICES ARE LOWER, WE CAN PRESENT THIS PROPOSAL OF YOURS.

S-LOOK. THIS IS UP TO OUR FRIEND IN EUROPE.

[redacted]-CAN YOU GIVE ME THE PRICES YOURSELF?

S-I DON'T HAVE THEM.

[redacted]-WHO HAS THEM?

S-UH, ONE OF THE EMPLOYEES OF MR. GOODE SENT THEM. I HAVE NOT SEEN THEM AT ALL.

[redacted]??WHEN WILL THEY GET TO US((INAUDIBLE))

S-UH, THEY MUST BE IN OUR FRIEND'S HANDS NOW. YOU WILL HAVE TO ASK HIM.

[redacted]((INAUDIBLE))

S-HE HAS THEM. YOU WILL HAVE TO CONSULT WITH HIM.

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[redacted]((FEW WORDS)) WE TALK WITH YOU?

S-FINE. THAT MIGHT BE POSSIBLE IN THE FUTURE. THAT'S WHAT WE SAID WHEN WE WERE TALKING WITH YOU IN DUBAI.((TEHRAN)). WE SAID THAT IT WOULD BE BETTER IF WE APPOINTED TWO PERSONS TO BE WITH YOU ALL THE TIME FOR DIRECT COMMUNICATIONS. THEN THESE MISUNDERSTANDINGS WOULD NOT OCCUR. DO YOU REMEMBER WHEN WE SENT YOU THAT VOLKSWAGEN. THIS WAS GOOD. THE PRICE WAS VERY GOOD. THE BEST POSSIBLE PRICE.

[redacted]-LOOK. ALL I KNOW IS THAT HE SENT US A PRICE, AND WHEN WE FIGURED IT OUT IT WAS SIX TIMES HIGHER.((FEW WORDS MISSED))

S-THE PRICES WHICH WE SENT WERE THE BASIC PRICES FOR ALL THE 240, WITHOUT TRANSPORTATION, INSURANCE, AND THINGS LIKE THAT

[redacted]?WITHOUT? TRANSPORTATION AND INSURANCE?

S-AND ADMINISTRATIVE COSTS, AND FOR CLEANING OFF ALL THE CRATES.

[redacted]I COULDN'T HEAR YOU. SPEAK UP.

S-THE PRICE THAT WE SENT DID NOT INCLUDE TRANSPORTATION, INSURANCE, AND OUR FRIEND'S PROFIT.

[redacted]FINE. YOU TELL HIM TO GIVE US THOSE PRICES SO WE CAN SEE HOW MUCH LOWER THEY ARE. IF THE PRICES ARE ACCEPTABLE, I CAN PRESENT YOUR PROPOSAL.

S-VERY GOOD. BUT I'VE GOT NOTHING TO DO WITH THIS. THIS IS BETWEEN YOU AND THAT FRIEND OF OURS.

C11D 0594 [redacted]((FEW WORDS))HE SWORE THAT HE DIDN'T TACK ON ANYTHING AND THAT THESE

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WERE THE PRICES YOU GAVE HIM.

S-FINE. YOU WILL HAVE TO SETTLE THIS WITH OUR FRIEND AS SOON AS POSSIBLE. TALK WITH HIM. IT'S GOT NOTHING TO DO WITH US. I JUST WANTED TO TELL YOU THAT THE HEAD OF OUR COMPANY HERE IS MOST UNHAPPY, AND WANTS TO CUT IT OFF.

[redacted] WHO WANTS TO CUT IT OFF?

S-THE HEAD OF OUR COMPANY HE SAYS, "IF THEY WANT THEM, THEY SHOULD BUY THEM; IF THEY DON'T WANT THEM, THEY SHOULD GET THEM SOMEPLACE ELSE."

[redacted] FOR THE SAME PRICE?

S-THAT'S BETWEEN YOU AND OUR FRIEND. HE'S THE MIDDLEMAN.

[redacted] ((INAUDIBLE))

S-THIS LIST WHICH WE SENT CONTAINS THE PRICE FOR WHICH IT WAS SOLD TO THE MIDDLEMAN. THIS FRIEND OF OURS BOUGHT IT FROM THE MIDDLEMAN.

[redacted] ((INAUDIBLE))

S-WELL, UNFORTUNATELY, IN THIS INSTANCE, THERE IS NO OTHER SOLUTION. WE MUST THINK ABOUT THE FUTURE.

[redacted] ((FEW WORDS MISSED)) YOU WERE SUPPOSED TO GIVE US THE FACTORY PRICES. IF YOU GIVE US THIS PRICE, DON'T YOU KNOW THAT... THIS FELLOW SAYS THAT HE IS NOT TACKING ON ANYTHING. HE IS NOT USING ANY ((WORD MISSED)). HOW MUCH IS THE TOTAL PRICE?

S- THEY SAID THAT IT WAS ABOUT 45. IS THAT RIGHT?

[redacted] 45?

S-RIGHT. ((ONE WORD)) THE 240 AND THE TWO GHUTIS.

[redacted] WITHOUT THE LOADING AND INSURANCE.

S-I DON'T KNOW. I'M JUST, I MEAN, I MEAN THE TOTAL PRICE, I MEAN THE TRANSPORTATION, AND THE TWO GHUTIS AND THE 240, AND THE INSURANCE, AND, ABOUT 45. I'M REALLY NOT INVOLVED IN THIS. IT'S ABOUT 45. RIGHT?

[redacted] WAS 45 THE PRICE YOU GAVE TO HIM?

S-NO, NO. WE DID NOT GIVE THE PRICE. WE JUST AUTHORIZED THE COMPANIES TO SELL THEM TO SEVERAL MIDDLEMEN. OUR FRIEND BOUGHT THEM FROM MIDDLEMEN.

[redacted] ((FEW WORDS)) THE PRICE AS IT NOW IS, DID OUR FRIEND ADD TO IT OR DID YOU ((FEW WORDS))?

S- NO. WE WERE NOT OURSELVES INVOLVED IN THIS DEAL. THIS IS HOW THE TRANSACTION WAS. WE AUTHORIZED THE COMPANIES TO SELL TO SEVERAL MIDDLEMEN. THESE MIDDLEMEN SOLD TO OUR FRIEND. THIS PRICE THAT WE SENT TO OUR FRIEND IS THE PRICE THAT THE COMPANIES SOLD TO THE MIDDLEMEN.

[redacted] ((FEW WORDS)) DID THEY SELL IT TO OUR FRIEND?

S-NO, NO. OUR FRIEND BOUGHT IT FROM THE MIDDLEMEN.

IR 594 [redacted] OUR FRIEND BOUGHT IT FROM THE MIDDLEMEN.

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S-YES. AND THE MIDDLEMEN BOUGHT IT FROM THE COMPANIES. WE MERELY AUTHORIZED THE SALE OF THESE 240. AND THE PRICE LIST WHICH WE SENT, IS THE PRICE FOR WHICH IT WAS SOLD TO THE MIDDLEMEN.

[redacted] THE PROBLEM IS ((FEW WORDS)). I DON'T THINK THAT...

S-THAT'S WHY WE HAVE ALWAYS SAID THAT IN THE FUTURE WE MUST BE IN DIRECT CONTACT FOR THINGS LIKE THIS. IT'S EASIER AND CHEAPER.

[redacted] ((INAUDIBLE))

S-THIS TIME, IT HAS TO BE THIS WAY. THE HEAD OF OUR COMPANY IS VERY TIRED OF THIS. HE'S ANGRY. HE SAID, "IF THEY DON'T WANT TO DEAL, BREAK IT OFF."

[redacted] LOOK. THE PROBLEM IS THE PRICE. I HAVE NOT YET BROUGHT UP THE MATTER OF YOUR PROPOSAL. THE PRICE IS AN IMPORTANT MATTER FOR US. ABOUT THE PRICE, YOU SAY THAT YOU GAVE PERMISSION TO THE MIDDLEMEN TO GO THERE AND MAKE THE PURCHASE.

S-RIGHT.

[redacted] WE DIDN'T MAKE THE REQUEST OF ((FEW WORDS)). WE MADE THE REQUEST OF YOU.

S-WELL, WE HAD NO OTHER RECOURSE; IT HAD TO BE THAT WAY--FOR THE PRESENT. IN THE FUTURE, WE MIGHT BE ABLE TO ARRANGE SOMETHING. BUT NOW, THE IMPORTANT THING IS, IS THERE GOING TO BE A DEAL OR NOT.

[redacted] THE IMPORTANT THING FOR US NOW IS THAT THESE PRICES YOU GAVE ARE SIX TIMES THE ORIGINAL PRICES. [redacted] EFFECT ON THE OUTCOME. THEY SAY, "THIS IS NOT GOOD RELATIONS TO SELL SOMETHING FOR SIX TIMES THE PRICE.

S-I CAN'T DO ANYTHING ABOUT THAT. WHAT CAN I DO ABOUT IT?

[redacted] WELL, LOOK. YOU ARE THE ONE WE ARE NEGOTIATING WITH. YOU KNOW PERSIAN, AND IT IS YOU WE ARE TALKING TO.

S-BUT MY HANDS ARE TIED. THESE 240 HAVE BEEN SOLD TO SOMEONE; HE BOUGHT IT AND RESOLD IT TO OUR FRIEND. WHAT CAN I DO? IT'S BEST THAT YOU BUY THESE GOODS SOMEWHERE ELSE THESE WERE VERY DIFFICULT....

[redacted] IF WE BUY THESE...

S-CAN YOU GET BUY THEM SOMEWHERE ELSE?

[redacted] INAUDIBLE))

S-NO, NO. IT WAS A VERY DIFFICULT THING TO BUY ALL OF THESE 240, BECAUSE THEY ARE VERY SCARCE. AS YOU KNOW, SOME OF THEM WERE OUT OF STOCK.

[redacted] FINE. I ACCEPT THE FACT THAT IT WAS DIFFICULT, BUT SIX OR SEVEN TIMES THE COST? THIS IS NOT RIGHT. THIS IS HAVING AN EFFECT ON THE DEAL--ON YOUR GOOD WILL THAT YOU WISH TO ESTABLISH. AN ADVERSE EFFECT. THEY ARE SAYING, "IF THEY WANT US TO DO THIS SERVICE, WHY ARE THEY CHARGING SIX TIMES THE PRICE? WE HAVE NO PROBLEM WITH OUR FRIEND THAT HE IS ASKING THIS. WE HAVE NO PROBLEM WITH HIM. WE SEE THIS AS YOUR FAULT. ((FEW WORDS.)) TELL US WHAT THE PRICE IS, WHATEVER IT IS. WE HAVE NO QUARREL WITH A 5 OR 10 PERCENT MARKUP, BUT 600 PERCENT--NO.

2110
3544 S-BUT IT ISN'T 600 PERCENT.

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[redacted] YES IT IS. IT'S MORE THAN THAT. IT AVERAGES OUT TO 6.15 TIMES HIGHER.

S- YOU SAID THAT YOU HAVE A MICROFICHE. HAVE YOU SENT IT TO ME.

[redacted] YOU CAN GET ONE OF THOSE YOURSELF. I'LL SEND IT TO YOU. I'LL SEND IT ON A FLIGHT TOMORROW. ((PORTION MISSED.)) WE AREN'T GETTING THESE GOODS FROM HIM. WE'RE GETTING THEM FROM YOU.

S-NO. IN THIS INSTANCE, YOU ARE BUYING FROM OUR FRIEND, NOT FROM US. IT MIGHT BE THIS WAY IN THE FUTURE, BUT NOT NOW. IF THIS DEAL IS TO COME OFF, IT WILL HAVE TO BE THROUGH OUR FRIEND. AND IF THIS DEAL IS TO BE SUCCESSFUL, IT HAS TO BE THROUGH OUR FRIEND. THERE IS NO OTHER WAY.

[redacted] I DON'T THINK THEY WILL AGREE IF THE PRICES ARE SIX TIMES HIGHER.

S- YOU AND I ARE IN THE SAME TRENCH; YOU HAVE A PROBLEM, I HAVE A PROBLEM. THE HEAD OF OUR COMPANY IS VERY DISPLEASED WITH MR. GOODE AND ME. PARTICULARL WITH THE DELEGATION THAT WENT TO DUBAI. THE HEAD OF OUR COMPANY IS VERY DISPLEASED WITH THE TREATMENT THERE, AND HE IS READY TO TERMINATE THE WHOLE DEAL. I HAVE MY OWN OPINION ON THE MATTER; I WOULD LIKE TO SEE GOOD RELATIONS BETWEEN OUR COMPANIES IN THE FUTURE.

K-SPEAK UP, SO I CAN HEAR YOU.

S- I WANT TO SEE GOOD RELATIONS BETWEEN OUR TWO COUNTRIES, BUT THIS HEAD OF OUR COMPANY IS EXTREMELY UPSET.

[redacted] FINE, IF YOU WANT ((FEW WORDS)) HOW CAN WE DO ANYTHING FOR YOU WITH THESE PRICES? WE SENSE THAT THIS IS ((ONE WORD)).

S-IT IS NOT SIX TIMES HIGHER. IT IS MUCH LESS THAN THAT.

[redacted] NO. BELIEVE ME THAT'S WHAT IT IS. I'M WILLING TO BET WITH YOU ON THAT.

S-FINE. BET WITH ME, BUT YOU HAVE TO SEND THIS MICROFICHE FOR US SO THAT ((FEW WORDS)) IT.

[redacted] I'LL SEND IT, BUT ((FEW WORDS)).

S-WHO PREPARED THIS MICROFICHE?

[redacted] THIS MICROFICHE THAT WE HAVE NOW, IN THE MARKET...((STARTS OVER))THESE PRICES THAT YOU GAVE US ARE BLACK MARKET PRICES. ON THE BLACK MARKET THEY PAY PRICES THAT ARE SEVERAL TIMES HIGHER. AND IF WE BOUGHT THESE THINGS ON THE BLACK MARKET, WE WOULDN'T HAVE TO PERFORM ANY SERVICES. SO WE WILL BUY FROM THE BLACK MARKET JUST AS WE HAVE UP TO NOW.

S-((FEW WORDS)) BUY FOR LESS ON THE BLACK MARKET?

[redacted] NO. THESE PRICES ~~THAT YOU HAVE GIVEN~~ ARE BLACK MARKET PRICES, NOT FAIR PRICES. I ~~WANT~~ TO PROVE ~~HERE THAT IF WE~~ DO ~~THIS SERVICE~~, ((FEW ~~WORDS~~)) I YOU WILL GIVE A POSITIVE ANSWER TO ~~OUR~~ ((FEW WORDS)). MY REPUTATION IS BEING RUINED BY THIS THING. I WON'T HAVE ANY POWER TO DO ANYTHING FOR YOU ANY MORE.

S-SOME OF THIS IS NOT IN MY HANDS. WE MUST UNDERSTAND THAT...

[redacted] WE ARE WILLING TO BUY THIS, BUT FOR A REALISTIC PRICE, NOT FOR SEVERAL TIMES HIGHER. WE EXPECT YOU TO SELL AT THE CORRECT PRICE.

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S-FINE. THE PRICE... THAT'S RIGHT. BUT IN THIS DEAL, MONEY IS NOT AN IMPORTANT THING FOR US. THE IMPORTANT THING IS THE RELATIONS BETWEEN THE TWO COMPANIES.

[redacted] ((FEW WORDS)) YOU INCREASE IT?

S-YOU HAVE TALKED WITH OUR FRIEND ABOUT THIS. WHAT DID HE SAY?

[redacted] HE SAID, "THIS IS THE PRICE THEY GAVE ME." ((SENTENCE MISSED)). IS HE TELLING THE TRUTH, OR NOT?

S-THAT'S RIGHT. I MEAN, WE SENT HIM THE PRICE OF THE 240, NOT INCLUDING THE TRANSPORTATION, INSURANCE, ETC, AND HE'LL HAVE TO TALK WITH YOU ABOUT IT IT MUST HAVE REACHED HIM.

[redacted] WHEN DID YOU SEND IT FOR HIM? THURSDAY?

S- RIGHT.

[redacted] DID YOU SEND IT BY MAIL.

S- WE SENT IT BY ONE OF THESE COURIER SERVICES WHICH DELIVERS IN ONE OR TWO DAYS.

[redacted] SO FRIDAY, SATURDAY ... I'LL CALL HIM TONIGHT AND SEE WHAT THE PRICE IS YOU HAVE GIVEN HIM.

S- FINE. I DON'T HAVE THE LIST NOW.

[redacted] CALL ME TOMORROW NIGHT, AND I'LL GIVE YOU AN ANSWER. I'LL FIND OUR FRIEND TONIGHT. LOOK. TRY TO KEEP THINGS GOING THERE. WE'VE BROUGHT THIS THING TO THE FINAL STAGES AND ARE ON THE VERGE OF A SOLUTION. DON'T LET THE ISSUE OF PRICE DESTROY WHAT WE'VE DONE. WE DON'T HAVE ANY PROBLEM WITH ANYONE; NOT WITH OUR FRIEND OR ANYONE ELSE.

S- AND I AM IN THE SAME BIND HERE, BECAUSE I'VE WORKED A LOT ON THIS, AND NOW IT HAS GOTTEN NOWHERE. WE HAVEN'T ATTAINED OUR GOAL.

[redacted] WE MUST TRY TO ?PURSUE THE RIGHT COURSE? HERE. NOW THIS PRICE THAT YOU WANT TO GIVE, WE EXPECT YOU NOT TO INCREASE IT ANY.

S- WE HAVE NOT INCREASED IT. IF THERE HAS BEEN AN INCREASE, IT HAS BEEN SOMEWHERE ELSE.

[redacted] IF YOU HAVE NOT INCREASED THE PRICE, SEND US THE REAL PRICE.

S- WE'VE SENT IT TO THE FRIEND.

[redacted] VERY GOOD. I'LL CONTACT HIM TONIGHT.

S-FINE. WE MUST NOT LOSE THIS OPPORTUNITY, BECAUSE THE TIME IS VERY SHORT.

[redacted] FINE. I'LL GET THIS PRICE TONIGHT, THEN I WILL BRING UP YOUR PROPOSAL.

S-VERY GOOD

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28 Jul 86 Allen Ex. 44

TOP SECRET/[redacted]

The Director of Central Intelligence

Washington, D.C. 20505

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28 July 1986

MEMORANDUM FOR: Vice Admiral John M. Poindexter, USN
Assistant to the President for
National Security Affairs

SUBJECT: American Hostages

I 0176

After discussing the release of Father Lawrence Jenco with Charlie Allen and Dewey Clarridge, I believe it is important that you have our assessment of this development and prospects for release of additional hostages.

First, it is indisputable that the Iranian connection actually worked this time, after a series of failures. You will recall that the [redacted] B Ghorbanifar connection also resulted in the release of Reverend Weir in September 1985. [redacted] After the impasse in Tehran over in late May, [redacted] continued to initiate direct contact with one of my officers, George Cave, even though the Iranians had been told that we were no longer interested in pursuing the matter. The fact that [redacted] persisted in contacting us indicates his desire to arrange a "deal" with Washington either through Ghorbanifar or, if necessary, with Cave. He also clearly wanted to keep a channel open. Amiram Nir, Special Assistant to the Prime Minister of Israel on Counter-Terrorism, has also played a critical role in a determined effort to force Iran to begin the release of American hostages. He has been supported by Prime Minister Peres and Defense Minister Rabin in this endeavor. In order to make the terms of the arrangements more palatable, Israel, on its own, offered additional arms "to sweeten the deal."

[redacted] To reinforce this commitment, he transferred $4 million to a West European bank to pay his European intermediary for the HAWK spare parts removed from our mission aircraft in May. On Wednesday, 23 July, when no hostage had been released, Ghorbanifar was instructed to inform [redacted] that "the deal was off."

[redacted]

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by K. Johnson, National Security Council

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In return for the release, [redacted] probably expects to receive most of the HAWK spare parts not yet delivered, along with additional military equipment that Israel unilaterally has added to the arrangement. Once this equipment is delivered, [redacted] stated that Iran would take action to obtain the release of one more hostage and would pay the remainder of the money owed to the Iranian intermediary for the HAWK spare parts.

[redacted]

moreover, indicated a willingness to meet with U.S. officials again on these matters, either in Tehran or "somewhere else" -- presumably Western Europe.

This is how we see the current situation:

-- The Ghorbanifar-[redacted] connection has worked for the second time -- and another American has been released.

-- Ghorbanifar is an uncontrollable factor, but appears to respond generally to Nir's direction [redacted]

-- Nir has every reason to work for further releases of our hostages. Peres and Rabin have put their reputation on the Ghorbanifar-[redacted] connection and support Nir fully in his endeavors. There would be a considerable loss of face for Nir and his superiors if the link were broken. This connection appears to be the only hope they have for recovering their own missing soldiers.

-- [redacted] has now acted and likely expects the United States to respond quickly in turn by delivering most of the remaining HAWK spare parts. He probably believes the United States is also supplying the additional military equipment that has been promised.

-- Whether we are prepared to negotiate or meet their demands or expections at this point, we should find out what they are.

-- If the deliveries do not occur, [redacted] will lose badly with his superiors in Tehran and matters could turn ugly, especially since the Lebanese Hizballah captors probably are not pleased with the Jenco release.

-- If there is no USG contact as a result of Jenco's release, it is entirely possible that Iran and/or Hizballah could resort to the murder of one or more of the remaining hostages.

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In summary, based on the intelligence at my disposal, I believe that we should continue to maintain the Ghorbanifar [redacted] contact and consider what we may be prepared to do to meet [redacted] minimum requirements that would lead to release of the rest of the hostages. Although I am not pleased by segmented releases of the American hostages, I am convinced that this may be the only way to proceed, given the delicate factional balance in Iran. I also see resolution of the hostage issue as potentially leading to contacts with moderate factions in Iran that we may be able to deal with in the longer term.

Bill

William J. Casey

[redacted]

[redacted]

[redacted]

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Allen Ex. #45

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To	Name and Address	Date	Initials
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	ACTION		FILE
	APPROVAL	XX	INFORMATION
	COMMENT		PREPARE REPLY
	CONCURRENCE		RECOMMENDATION
	DIRECT REPLY		RETURN
	DISPATCH		SIGNATURE

REMARKS:
cc: Oliver North (#2 and 3)
Jim Radzimski (#4)

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N 10351

NSC/ICS CONTROL NO. 42013

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Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
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UNCLASSIFIED

27 June 1986

N 10352

SECRET -

Lengthy meeting this afternoon with Gorba and Nir followed by discussion with [redacted] via phone. Following are salient points. [redacted] believes he has demonstrated his ability to perform and has expectations we are now prepared to deal. Despite our earlier and current protestations that we want all hostages before we deliver anything, this is clearly not the way they want to proceed. They see clearly that the ball is now in our court. In discussion with [redacted] he repeatedly asked quote - "When are you going to deliver". While [redacted] made no specific threat, he noted that he was under intense pressure and could not totally control events. We will call him back 28 July at 1100 Frankfurt time and urge that he come to Europe for a meeting and to do nothing rash in the meantime. We are trying to make this idea attractive [redacted] Jenco has expressed a desire to thank the three World leaders responsible for his release. The Pope, The Archbishop of Canterbury and RR. The first two intend to oblige. Can we deliver on the last? Unodir we will call [redacted] in A.M. and urge him to meet us in Europe ASAP. Since it will take him several days to get authorization to come, we plan to return to D.C. via Pan Am 061 on 28 July and report to JMP in evening. Please advise via this channel if other instructions obtain. Warm regards. North/Cave

Bottom line, is that if we want to prevent the death of one of the three remaining hostages, we are going to have to do something.

Put this in sealed envelope and have Allin pick it up.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

SYSTEM IV
NSC/ICS-42013
N 10353

July 26, 1986

TOP SECRET COMPARTMENTED INFORMATION

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: American Hostages

Attached at Tab I is a memo from you to the President outlining what we know of the Jenco release. Attached at Tab II are talking points for use by Cave/North with Nir/Ghorbanifar/ [redacted] in Frankfurt, GE.

Cave is departing Geneva tonight to meet North/Secord in Frankfurt tomorrow (Sunday) morning. Nir and Ghorbanifar depart London tomorrow and have called [redacted] to meet them in Frankfurt, GE, Sunday morning. The purpose of the meeting is to assess Iranian expectations and ability to release the remaining American hostages.

A draft of the DCI assessment on the American hostages and the Jenco release is attached at Tab III. This paper was prepared by Charlie Allen and Dewey Clarridge and has been delivered to Director Casey.

RECOMMENDATIONS

1. That you initial and forward your memo to the President at Tab I. 7/26/86 Briefed P. visited on secure phone. President approved.
Approve ____ Disapprove ____

2. That you approve North travel to and from Frankfurt, GE, as described above.
Approve ✓ Disapprove ____

3. That you approve the talking points at Tab II.
Approve ✓ Disapprove ____

Attachments
Tab I - Poindexter Memo to the President
Tab II - North/Cave Talking Points
Tab III - DCI Assessment of Hostage Situation

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Declassify: OADR

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N 10354

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TAB I

TOP SECRET
UNCLASSIFIED
WASHINGTON

SYSTEM IV
NSC/ICS-42013

N 10355

TOP SECRET COMPARTMENTED INFORMATION

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER

SUBJECT: American Hostages

The release of Father Lawrence Jenco is a second positive step in our protracted and difficult dialogue with the Iranians. Father Jenco's release undoubtedly comes about as a result of Bud McFarlane's trip at the end of May and the continuing direct and indirect contacts we have had with Iranian officials. Our Israeli contacts and the Iranian intermediary in Europe advise that the Iranian Government now expects some reciprocal move on our part -- though exactly what, we are uncertain.

[redacted] the decision to release Father Jenco was made in Tehran on or about July 21. On Wednesday, July 23, our Israeli point of contact advised us that "if, as we hope, a hostage is released, it will be Jenco." It was also on this date that the Israeli point of contact (Amiram Nir) told the Iranian intermediary in Europe that the USG was breaking off all contact on this matter. We have also learned that July 24 was a key date in the most recent release:

-- The Iranian Government paid their European intermediary $4M on Thursday, July 24, as partial payment for HAWK missile parts, which were removed from our mission aircraft at the end of May. (It is important to note that in order to pay the Israelis for the HAWK missile parts, the Iranian intermediary in Europe borrowed more than $15M and has been under threat of death from his creditors. The Israelis regard this payment as further proof that the Iranians wish to continue the contact with the U.S. on the hostage issue.)

-- [redacted]

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Our next step will be to have two USG representatives meet with the Israeli and Iranians in Europe, if possible, tomorrow in an effort to determine Iranian expectations. This is not a negotiating session, but rather an attempt to maintain contact and, if possible, assess how we should now proceed. To our knowledge, no new Israeli deliveries have occurred and all remaining HAWK missile repair parts are still in a covert depot in Israel.

Prepared by:
Oliver L. North

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N 10357

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TAB II

N 10358

TOP SECRET ~~TOP SECRET~~ UNCLASSIFIED COMPARTMENTED INFORMATION

NORTH/CAVE TALKING POINTS

-- You have seen the President's statement regarding the release of Father Jenco. This is very much in line with what your people had suggested.

-- Our government remains prepared to open direct and private discussions with your government leading to a normalization of relations.

-- We recognize the important role played by your government in the release of Father Jenco and regard this to be a very positive step.

-- It is important that there not be any misunderstandings or false expectations regarding the release of Father Jenco.

-- On every occasion, including our meetings in Tehran, we made it clear that we were not going to barter over the lives of human beings.

-- While we are not empowered to negotiate with you regarding any further deliveries of materiel, it is important that you recognize that the understanding we proposed in Tehran is still operative. We have been instructed to report back to our government any changes to this proposal.

-- We continue to believe that a direct channel of communication, which will prevent misunderstandings is important. As we indicated in Tehran, we are prepared to dispatch a [redacted] communications team to Tehran to faciliate this communication.

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N 10359

SENSITIVE

May 21, 1986

TERMS OF REFERENCE
U.S.-Iran Dialogue

I. BASIC PILLARS OF U.S. FOREIGN POLICY (Optional)

-- President Reagan came into office at a time when Iran had had a certain impact on the American political process -- perhaps not what you intended.

-- The President represents and embodies America's recovery from a period of weakness. He has rebuilt American military and economic strength.

-- Most important, he has restored American will and self-confidence. The U.S. is not afraid to use its power in defense of its interests. We are not intimidated by Soviet pressures, whether on arms control or Angola or Central America or Afghanistan.

-- At the same time, we are prepared to resolve political problems on the basis of reciprocity.

-- We see many international trends -- economic, technological, and political -- working in our favor.

II. U.S. POLICY TOWARD IRAN: BASIC PRINCIPLES

A. U.S. Assessment of Iranian Policy.

- We view the Iranian revolution as a fact. The U.S. is not trying to turn the clock back.

- Our present attitude to Iran is not a product of prejudice or emotion, but a clear-eyed assessment of Iran's present policies.

- Iran has used "revolutionary Islam" as a weapon to undermine pro-Western governments and American interests throughout the Middle East. As long as this is Iran's policy, we are bound to be strategic adversaries.

- Support of terrorism and hostage-taking is part of this strategic pattern. We see it used not only against us, but against our friends. We cannot accept either. Your influence in achieving the release of all hostages/ return of those killed (over time) is essential.

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SENSITIVE

- We see your activity in many parts of the world, including even Central America.

- The U.S. knows how Iran views the Soviet Union. But subversion of Western interests and friends objectively serves Soviet interests on a global scale.

- Thus, our assessment is that a decisive Iranian victory in the war with Iraq would only unleash greater regional instability, a further erosion of the Western position, and enhanced opportunities for Soviet trouble-making.

- The U.S. will therefore do what it can to prevent such a development. We regard the war as dangerous in many respects and would like to see an end to it.

B. Possible Intersections of U.S.-Iranian Interests.

- Despite fundamental conflicts, we perceive several possible intersections of U.S. and Iranian interests. I propose we explore these areas.

- First, the U.S. has had a traditional interest in seeing Iran preserve its territorial integrity and independence. This has not changed. The U.S. opposes Soviet designs on Iran.

- Second, we have no interest in a Iraqi victory over Iran. [redacted] we are seeking an end to this conflict and want to use an improved relationship with Iran to further that end.

- Third, we have parallel views on Afghanistan. Soviet policy there is naked aggression, a threat to all in the region. [redacted] But our objective is the same: the Soviets must get out and let the Afghan people choose their own course.

C. U.S. Objective Today.

- We have no illusions about what is possible in our bilateral relations. Perhaps this meeting will reveal only a limited, momentary, tactical coincidence of interests. Perhaps more. We are prepared either way.

- In essence, we are prepared to have whatever kind of relationship with Iran that Iran is prepared to have with us.

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III. SOVIET MILITARY POSTURE

-- Moscow has designs on parts of Iran. [redacted]

-- Afghanistan illustrates the price the Soviets are ready to pay to expand areas under their direct control.

-- Summarize Soviet capabilities along border and inside Afghanistan which could threaten Tehran.

-- U.S. is aware of Soviet activity in [redacted]

-- Soviet plans [redacted] How they would do it.

-- Iranian support to Sandinista regime in Nicaragua aids and abets Soviet designs -- makes U.S.-Iranian relationship more difficult ($100 million in oil, plus arms).

-- U.S. can help Iran cope with Soviet threat.

IV. AFGHANISTAN

-- May be real value for Iran and U.S. to find ways to cooperate against Moscow in Afghanistan.

-- U.S. can provide humanitarian assistance for refugees [redacted]

-- We need to know who you work with, what you already provide, and devise strategy to exploit Iranian comparative advantage.

V. HARDWARE

-- We may be prepared to resume a limited military supply relationship.

-- However, its evolution and ultimate scope will depend on whether our convergent or our divergent interests come to loom larger in the overall picture.

-- What does Iran want?

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SECRET SENSITIVE

N 10362

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TAB III

The Director of Central Intelligence

Washington D C 20505

DRAFT

[redacted] UNCLASSIFIED

N 10363

July 26, 1986

MEMORANDUM FOR: Vice Admiral John M. Poindexter
Assistant to the President for
National Security Affairs

SUBJECT: American Hostages

After discussing the release of Father Lawrence Jenco with Charlie Allen and Dewey Clarridge, I believe it is important that you have our assessment of this development and prospects for release of additional hostages.

First, it is indisputable that the Iranian connection actually worked this time, after a series of failures. You will recall that the [redacted]-Ghorbanifar connection also resulted in the release of Reverend Weir in September 1985. [redacted] After the impasse in Tehran over in late May, [redacted] continued to initiate direct contact with one of my officers, George Cave, even though the Iranians had been told that we were no longer interested in pursuing the matter. The fact that [redacted] persisted in contacting us indicates his desire to arrange a "deal" with Washington either through Ghorbanifar or, if necessary, with Cave. He also clearly wanted to keep a channel open. Amiram Nir, Special Assistant to the Prime Minister of Israel on Counter-Terrorism, has also played a critical role in a determined effort to force Iran to begin the release of American hostages. He has been supported by Prime Minister Peres and Defense Minister Rabin in this endeavor. In order to make the terms of the arrangements more palatable, Israel, on its own, offered additional arms "to sweeten the deal."

[redacted] On July 21, [redacted] To reinforce this commitment, he transferred $4M to a West European bank to pay his European intermediary for the HAWK spare parts removed from our mission aircraft in May. On Wednesday, July 23, when no hostage

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[redacted] UNCLASSIFIED

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N 10364

had been released. Ghorbanifar was instructed to inform [redacted] that "the deal was off."

In return for the release [redacted] probably expects to receive most of the HAWK spare parts not yet delivered, along with additional military equipment that Israel unilaterally has added to the arrangement. Once this equipment is delivered, [redacted] stated that Iran would take action to obtain the release of one more hostage and would pay the remainder of the money owed to the Iranian intermediary for the HAWK spare parts.

[redacted] moreover, indicated a willingness to meet with U.S. officials again on these matters, either in Tehran or "somewhere else" -- presumably Western Europe.

This is how we see the current situation:

-- The Ghorbanifar [redacted] connection has worked for the second time -- and another American has been released.

-- Ghorbanifar is an uncontrollable factor, but appears to respond generally to Nir's direction.

-- Nir has every reason to work for further releases of our hostages. Peres and Rabin have put their reputation on the Ghorbanifar [redacted] connection and support Nir fully in his endeavors. There would be a considerable loss of face for Nir and his superiors if the link were broken. This connection appears to be the only hope they have for recovering their own missing soldiers.

-- [redacted] has now acted and likely expects the United States to respond quickly in turn by delivering most of the remaining HAWK spare parts. He probably believes the United States is also supplying the additional military equipment that has been promised.

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N 10365

-- If the deliveries do not occur [redacted] will lose badly with his superiors in Tehran and matters could turn ugly, especially since the Lebanese Hizballah captors probably are not pleased with the Jenco release.

-- If there is no USG contact as a result of Jenco's release, it is entirely possible that Iran and/or Hizballah could resort to the murder of one or more of the remaining hostages.

In summary, based on the intelligence at my disposal, I believe that we should continue to maintain the Ghorbanifar-[redacted] contact and consider what we may be prepared to do to meet [redacted] minimum requirements that would lead to release of the rest of the hostages. Although I am not pleased by segmented releases of the American hostages, I am convinced that this may be the only way to proceed, given the delicate factional balance in Iran. I also see resolution of the hostage issue as potentially leading to contacts with moderate factions in Iran that we may be able to deal with in the longer term.

William J. Casey

DRAFT

NC Date

Allen Ex. #46

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(4)

Ghorba — quotation received

- 40 %
- price list from Adam
  - received #1 — 200 items
    $34.23 per item
  - $48.00 to end users

#2 — 50 units

- [redacted] $24.16
  $34 — G. quoted

#3

— 10 units

— $23.75

— $33.00 quote (G)

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#4 20 units

— $32.00

— $42.00 (G)

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C 211

#5

- 40 units
- $22.46
- $32 G quote

#6/15 units

- $24.75
- $35.00 G quote

#7

30 units

- $21.90
- $31 quote

#8

16 units

- $22 received
- $31 quote

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C 212

- Items - rest the same
- 41% percent

— Why 41% percent

- 11% - Adams ($2M)
- $15m in cash (20% financiers Adnam)
  - copies with
- only 10% on top! only thing added

- 600% -- everything multiplied

- Merchant says the problem is because of A
- 41%
- unbelievable situation

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— Any differences

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C 213

- middle man being unfairly blamed
- 41%
- don't want to
- Nice

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Allen Ex 47
Chapter 14, Footnote 9/2/81

J 59

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2 September 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Hostage-Related Activities

1. At the request of Mr. Goode on 29 August, I contacted Abe on an alleged diversion of US TOW missiles to Iran. I had been alerted to this development two days earlier by Mr. Goode, who had been told by Abe that 1,250 TOWs were about to be shipped from Houston to then on to Tehran. I had discussed this possible diversion with Buck Revell and Dale Martell of the FBI and Bill Rosenblatt and Gary Wahl of Customs.

2. On Friday evening, 29 August Abe informed me that he had learned from his man in London that the TOWs would be shipped within 48 hours out of Houston. Abe stated that he expected to get the total story on 1 September, but that his contact had been told by that a shipment was imminent. The shipment consisted of a second generation of TOWs which were selling at $13,000 apiece; four unnamed Americans were involved. According to Abe, is related to The TOWs were to be flown from Houston before transshipment on to Iran.

3. Based on this information and Mr. Goode's request that action be taken, I informed both the FBI and Customs of the new information and was assured that action was being taken. In fact, I was in touch with Mr. Wahl several times on 30-31 August and on 1 September. Mr. Wahl indicated that Customs had allocated a large number of agents in an effort to stop this alleged diversion.

4. On 1 September, Abe called me urgently to state that he had acquired some new information that could radically change our current view of the alleged TOW diversion. He said that he had been in telephone contact with in London. had talked with in had refused to provide the names of the four Americans involved in transaction, claiming that the Americans might be "mafia-types" revealing their names could put his life in jeopardy.

5. Abe stated that from what he has learned of the transaction to date, the footprints of the merchant and his banker are "all over this transaction." The banker can obtain end user certificates and the merchant has established two letters of credit with banks in Switzerland;

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J 595

one of the letters of credit is from the London Branch of the Iranian National Bank. Abe speculated that these letters of credit could involve transactions that the merchant has underway with Mr. Goode. According to Abe, he had no information indicating that the TOWs had been shipped. The plan, according to Abe, was to get [redacted] to London where he will be wined and dined by [redacted] and hopefully will tell all he knows about the TOW transaction. At that time, the plan was to have [redacted] in London on the evening of 2 September. Abe again reiterated that "the merchant's M.O. is all over this transaction," noting that the merchant did not get paid until recently. Abe claims that he believes one letter of credit is for $8M and the other for $6M.

6. Abe stated that [redacted] first name was [redacted] and that his telephone numbers in [redacted] He wondered whether the merchant was not operating separately; the proposed Houston deal may be imaginary, although there were probably four Americans in [redacted] at one point. Abe said that the telephone numbers of this agent, in London, [redacted] extension

7. Abe called again on 2 September to state that [redacted] had been told by [redacted] that the shipment of TOWs arrived last night in Tehran. As a result of this shipment, Iran is prepared to consider the release of the American hostages. Currently, Iranian officials are examining the delivered TOWs; if all is in good order, Tehran will validate the letter of credit in the Swiss bank.

8. In the 2 September call, Abe stated that [redacted] was told by [redacted] that a meeting between "the two sides" would now be scheduled in Switzerland. [redacted] said that he wants [redacted] to participate; [redacted] demurred at this suggestion but told [redacted] that he would get back to him. [redacted] is checking [redacted] story will [redacted] reiterated that three hostages were being released as a result of the TOW shipment. Abe complained that [redacted] story made no sense at all, although it was possible that another operation was underway with the banker and the merchant perhaps cutting out Adam and Goode. Abe stated that Abe would not come to [redacted] as a result of the latest developments. Therefore, [redacted] will go to [redacted] tomorrow to talk directly with

9. Abe called again on 2 September to state that [redacted] had called [redacted] again and claimed that three hostages had been released and "were on the way to the United States" from Tehran. When I protested that this did not make any sense, Abe said [redacted] was calling [redacted] to check the story. Abe then called back one more time to state that [redacted] "had talked to all the factions and they knew nothing about a hostage release. [redacted] was called [redacted] to check the story.

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J 59

10. [redacted] called once again on 2 September to inform me that the [redacted] was aware of the purported TOW transaction and the movement of these weapons in exchange for hostages. He said [redacted] had obtained this fro[redacted] He added that [redacted] claimed Rafsanjani was not personally knowledgeable of the transaction.

F
C

Charles E. Allen
National Intelligence Officer for Counterterrorism
Director, OCI/Hostage Location Task Force

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7/10/86 2396
10 Jul 86
Allen #57

MEETING WITH [redacted] JULY 10, 1986

1. [redacted] initially described his sources. He stated that he reads all Iranian newspapers that he can get his hands on and also listens to radio broadcasts. He also talks to exiles, sees a lot of Iranians who travel back and forth to Iran, maintains sporadic contact with former colleagues who remain in Iran, but perhaps His most important source of information are the representatives of important Iranians who travel abroad on business. The most important of these is the man who [redacted] can not return to Iran.

2. Like all Iranians, [redacted] groups Iranians into bat divisions. He says that Rafsenjani heads one group, Khameni'i another and a third group known as the hard line is headed by seyyed Mehdi Hashemi. This is the real radical group which supports terrorism, etc. [redacted] said that there are two other groups worth mentioning, Bazergan's people and another group(ask about this one). [redacted] says that Montazari is dominated by Rafsenjani and once khomeini dies will be Rafsenjani's point man. [redacted] said tat Rafsenjani and Khameni'i are both brilliant men and will cooperate after Khomeini's death. Rafsenjani now effectively controls the Sepah-i-Pasdar through Mohsen Reza'i. Khameni'i has been resisting the move to incorporate the military into the Pasdars.

3. Sam and Abe told [redacted] that there was an interest on the part of the USG in trying to use trade to gradually re-establish relations with Iran. Sam and Abe planned to capitalize on the trade part using contacts in the USG with whom they will coordinate their actions. This of course requires a political decision at the highest level of the Iranian government. [redacted] said that he is certain that the vast majority of senior Iranians want to re-establish some degree of political relations with USG with the single exception of the third line pople. [redacted] said that the current problem is that Khomieni would oppose and such action as long as he lives. Groundwork can be done and [redacted] proposed that the man to establish contact with is Rafsenjani. [redacted] said that he can explore establishing contact with [redacted] His contact with [redacted] is through [redacted] suggested that at some time we consider sending in a non-American to do some contacting after ground work has been done.

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Item #88
RHTU 7/6/87

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11 Jul 86

N 2398

MEETING WITH [redacted] AND ALBERT HAKIM ON 11 JULY 1986

1. This meeting uncovered some interesting access. Sam first asked [redacted]

[redacted] said that he had cleaned up his report a copy of which he passed to Sam. He said that if we had further questions he had the ability to get the answers. Sam said he would take a look at the report and get back to him.

2. [redacted] said that their were two channels into Hasemi Rafsenjani. [redacted] proposed to discuss with us the best of these two channels.

[redacted]

3. Hakim spent a lot of time explaining to [redacted] that he wanted to get some legitimate business with Iran for Cover purposes. He was willing to sell Medicinals at cost or on a credit basis with up to a year to pay if he could get some other benifit out of it. [redacted] suggested oil sales to the US which he was in a position to arrange for fob $8.20 a barrel. Sam suggested rice since the USG was subsidizing the export of rice at prices far below the going world quotes. There was a question as to whether Oil wa embargoed. During the course of the meeting, [redacted] said quite frankly that he wasn't going to do this for nothing and Hakim told him that if anything goes through he would get a good commission. Hakim told Sam that he planned to pursue these matters with [redacted] no matter what we decided. He has also set up a private polygraph for [redacted] on Monday.

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N7523 TO N7525

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14 NOV 56

DENIED IN

TOTAL

5080

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UNCLASSIFIED

6/29/87 maa
NO Date
E 4C

Adam's Comments

I. Nir

- Most of risk has disappeared; small aspects of risk
- No positive results; will only be [illegible]s. / 80 % chance of success a [illegible] days
- Sit. Now: 25 % risk to Nir; 30 % chance of succeeding

II.

- Friend -- has not made contact
  - -- disappeared
  - -- Never s[illegible]
  - -- Told him [illegible]0 days ago to go to
  - -- Pick up phone + go there
  - -- Spoke of personal risks
  - -- Sunday morning a week ago
  - -- Want to
  - -- went to a week ago Monday
- Got message on Friday that he is there; working so[illegible] the problem
- working issue; [illegible] ass[illegible] this

18262

III. Nir - 2 avenues

- merchant channel, most solid one we have; we know more about what can be done
- Possible through merchant issue can be

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[redacted] talked; disappearance of [redacted] merchant may portend success; merchant may have other contacts than [redacted] Nir has pushed merchant [redacted] channel

* · Nir met with authentic, highly placed person; more important in long term
- Someone met in [redacted]
- will be more powerful in future
· New channels can be opened — one that Nir met with merchant

II. Nir — new channels
· we have / are at beginnings; very early
· 1 channel is connected new initiative; risky -- connected to bad guys
· Touched in hasty manner
· Nir — taking personal risks in using channel
· Dangerous in sense of risk -- maybe pushing too hard

Hashemi and Ghorbanifar

CIIN 4046

Executive Registry 18263

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No Date

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Allen Ex. 49
6/29/87 mas

United States Senate
SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, D.C. 20510

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No Date
C...9
Allen Ex. #50
6/29/87 mas

[redacted]

Corr
Ormstead

Dick Seccord

Ghorba [redacted] 56-4801

Give Dick a # where
he can reach
Ghorba / dispatching
courier

Ghorba – can reach
periodically in Tehran

[redacted]

CIN 40H

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No Date

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Allen Ex. #5
6/29/87 mac

Mr. Chorbajian

I [redacted]

- Can overcome [redacted] Correct & not correct
- Have to assume deal was done
- 240
  $1¢.
- $21 M
- $3 M to financier

II. $8M
- 14% interest
- $34M
- $26m
  $8M behind
  — $6.8M
  $2M deficit
- New financier — 15%
  — we don't where we can get 1,000 TOW

A

CIIN 3998

Executive Registry 20054

Partially Declassified/Released on 3-28-88
under provisions of E.O. 12356
by K. Johnson, National Security Council

5043

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III. [redacted]
- [redacted] who [redacted] $10M to people pressuring

IV. [redacted] 1.8M in January
[redacted] 2.7M
[redacted]
- will not pay until
- Shipment going 500 tires, plus parts

V. [redacted] No viable option to proceed
- Micromiche bidding price

VI. A - mad; not calling [redacted] could cause damage; see blockage
- $7M
- recover over time
- keep program
- financier - $10M
  - several guys after him
- [redacted] not in strong position to deal with US
- Returns in North & South

A

Executive Registry 20055

CIN 3998

UNCLASSIFIED

No Date

UNCLASSIFIED

Allen Ex 52
6/29/87 mar

Central Intelligence Agency
Wash
George V Lauder
Director Public Affairs

Number 1

I. Price list given to G.

(240) • 240 whole package
$4.5M
$20.5M
(HPI) • Charged $15M for whole package minus 1 [illegible]
• $13.5M + tra[illegible]tc
• Remainder — $2.8 M
further $1.8 M [illegible]on 87
$4.6 M [illegible]0 times

• Full package
- $19.6 M cost to G.
- 20% financing cost
$ 4M
— $ 24M

A

CIIN 3996

Executive Registry 20031

Partially Declassified/Released on 5 FEB 96
under provisions of E O 12356
by K. Johnson, National Security Council

5044

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George V. Lauder
Director, Public Affairs

- $25 M cost to [redacted]
- at best $2M profit
- Merchant $1.0 - 1.5 M
  paying bribes, etc.
- $2M not profit
- 6% profit
- [redacted] found micro[redacted]e
- showed costs [redacted] of
  costs
- G. — [redacted] 1,000 Tons
  Promised
- Mines 500
  States
  $4M — merchant
- Needs to finance $2M
  out of pocket
  +

CIIN 3996

Declassified Per EO 13526 2003 2

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UNCLASSIFIED

George V. Lauder
Director Public Affairs

- Financial deal
  - total lost
  - Cash flow — irrelevant
- $10M owed if he stops now
  - may be able to pay some but not all
- keep juggling:
  - IRPs
  - Back — may never
- [redacted] — sees this $26M as part
- [redacted] — keep him in dark; total separation of 2 channel

A

CIN 3996

Executive Registry 2003

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UNCLASSIFIED

Central Intelligence Agency
Washington, D.C.
(703) 482-7676

George V. Ladder
Director, Public Affairs

- [redacted] Kona Kides
- Does it exist? Is the [redacted] for real? Rumors?
- Sam tell [redacted] do it all at once, old deal
  - Know list what it includes
  - Will this get us another Zebra? If there enough? If not, we will not send. How long will it take?

A

CIN 3996

Executive Registry 80034

Central Intelligence Agency
Washington, D.C.
(703) 482-7676

George V. Lauder
Director, Public A

C

— Merchant [illegible] 21 July
[illegible] M to G
— [illegible]cent $5M to G
$8-9M to G.
— says on
21 Aug $8M deposited
to merchant
— $16.5M:
— $27M charged for 240 [illegible]

I

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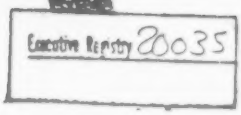
A



CIIN 3996

UNCLASSIFIED

15 NOV 85
C.A's chrono files
Mr. Reed Irvine

CONFIDENTIAL

The Director of Central Intelligence
Washington, D.C. 20505

UNCLASSIFIED

Allen Ex. 5
6/29/87 mc

NIC 05710-85
15 November 1985

MEMORANDUM FOR: [redacted]

FROM: Charles E. Allen
National Intelligence Officer for Counterterrorism
and Narcotics

SUBJECT: Visit of Mr. Amiran Nir

This is to advise you that Mr. Amiran Nir, Special Assistant to the Prime Minister of Israel, will be visiting me on Monday, 18 November 1985, in my office in the Headquarters building.

Charles E. Allen

cc: DDI Security

Partially Declassified/Released on 31 OCT 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

5045

DECL OADR
CL BY [redacted]

CIIN 3987

Executive Registry
19910

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UNCLASSIFIED

UNCLASSIFIED

The Director of Central Intelligence

Washington, D.C. 20505

15 Nov 85
C.A.'s chrono files
McNeil Branch

National [redacted]

NIC 05711-85
15 November 1985

Allen Ex. #54
6/29/87 mca

MEMORANDUM FOR: [redacted]

FROM: Charles E. Allen
National Intelligence Officer for Counterterrorism and Narcotics

SUBJECT: Visit of [redacted]

This is to advise you that [redacted]

will be visiting me in my office at [redacted] Headquarters on 20 November 1985 at 1600 hours.

Charles E. Allen

cc: DDI Security

Automatically Declassified/Released on 3 Feb 88
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by K. Johnson, National Security Council

5046

DECL OADR
CL BY [redacted]

CIIN 3988

UNCLASSIFIED

Executive Registry 19911

UNCLASSIFIED

No Date

UNCLASSIFIED

- Son[redacted] Solomon

Allen Ex #55
6/29/87 mas

→ Old Testament Dec 85?

[redacted]
other targets can be
spoke of; Khalatollah,
3 or 4 more targets

[redacted]

- Shipments are dead
- DCI Casey
  - revitize Her linkages to Iran
  - Bud wants Findings
  - Evaluate -
  - Terrorism pursue
  - Showba - pay back; let him play games; minimize support

A

CIN 4000

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under provisions of E.O. 12356
by K. Johnson, National Security Council

Executive Registry 20071

UNCLASSIFIED

5047

9 Dec 85

UNCLASSIFIED

Allen Ex #56
6/29/87 mav

wang 1661A
12/9/85

NOTE: Char

FROM:

SUBJECT: Micheal Ledeen Phone Call

1. Micheal Ledeen called to speak to you this morning, wi[th] what he termed a "Flash" for you "to pass to Dewey". I exp[ected] you were out of town until Tues. night, but I was your [ch]ief of staff - could I help? He hesitated for some long momen[ts], then said no, he'd get the [mes]sage to Dewey another way.

2. Dewey is on TDY all week, s[o] surprisingly Ledeen called back about an hour later ("Th[is] Mike, again"), wanting me to pass a message to Dewe[y]. The message was as follows:

[redacted] is flying [redacted] to Frankfurt today [redacted] He will be having dinner in Frankfu[rt] with at least two other men who arrived there yeste[rday]. One of these guys is [redacted] I don't know who the other one is. There may be more at the dinner, but there will be at least these two."

3. I went down to EUR and talked to the Dep. Chief, who said Dewey was handling everything involved with this [redacted] So I called [redacted] DESK OFFICER OFFICER.

4. It took [redacted] a while to get back to me, but when did, he seemed a bit confused. He did not know who [redacted] but said he would find out and handle all this with the fi[re]. We agreed that we/he would have to move fast, because by t[his] we were down to a window of only a couple of hours. I'll [see] to [redacted] tomorrow to see what--if anything--occurred.

A

Executive Registry 19666

CIIN 3962

UNCLASSIFIED

5048

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under provisions of E.O. 12356
By K. Johnson, National Security Council

UNCLASSIF... No Date

Gho-ba

I [redacted] - wanted file of [redacted] (Khyatallah); out of line; Agency could blackmail; agents of Agency also work for G.; L. family tortured killed by Shah regime. Since G. L subjects could have things inserted in the Tehran. Architect not breaker of change. Have put fortune + family at stake. Wrong to support Shah.

CIIN 3980

FROM STENO. DOC
19825 C02 B3 D2

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under provisions of E.O. 12356
by K. Johnson, National Security Council

Allen Ex* 57
6/29/87 mdo

5049

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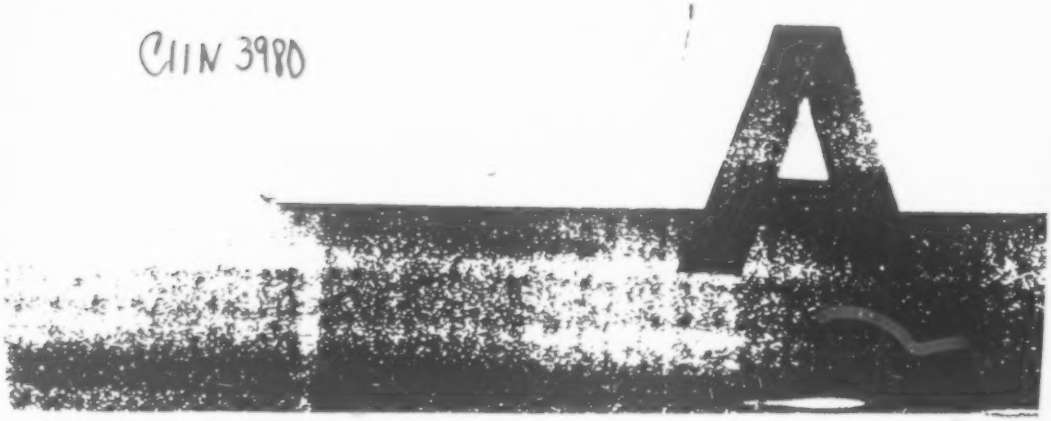
— CLA — new gen. terms: $10M in cash; 10 million on ask below market price;

— CLA to op in US; ends negotiation after $10M if this occurs

CIIN 3980



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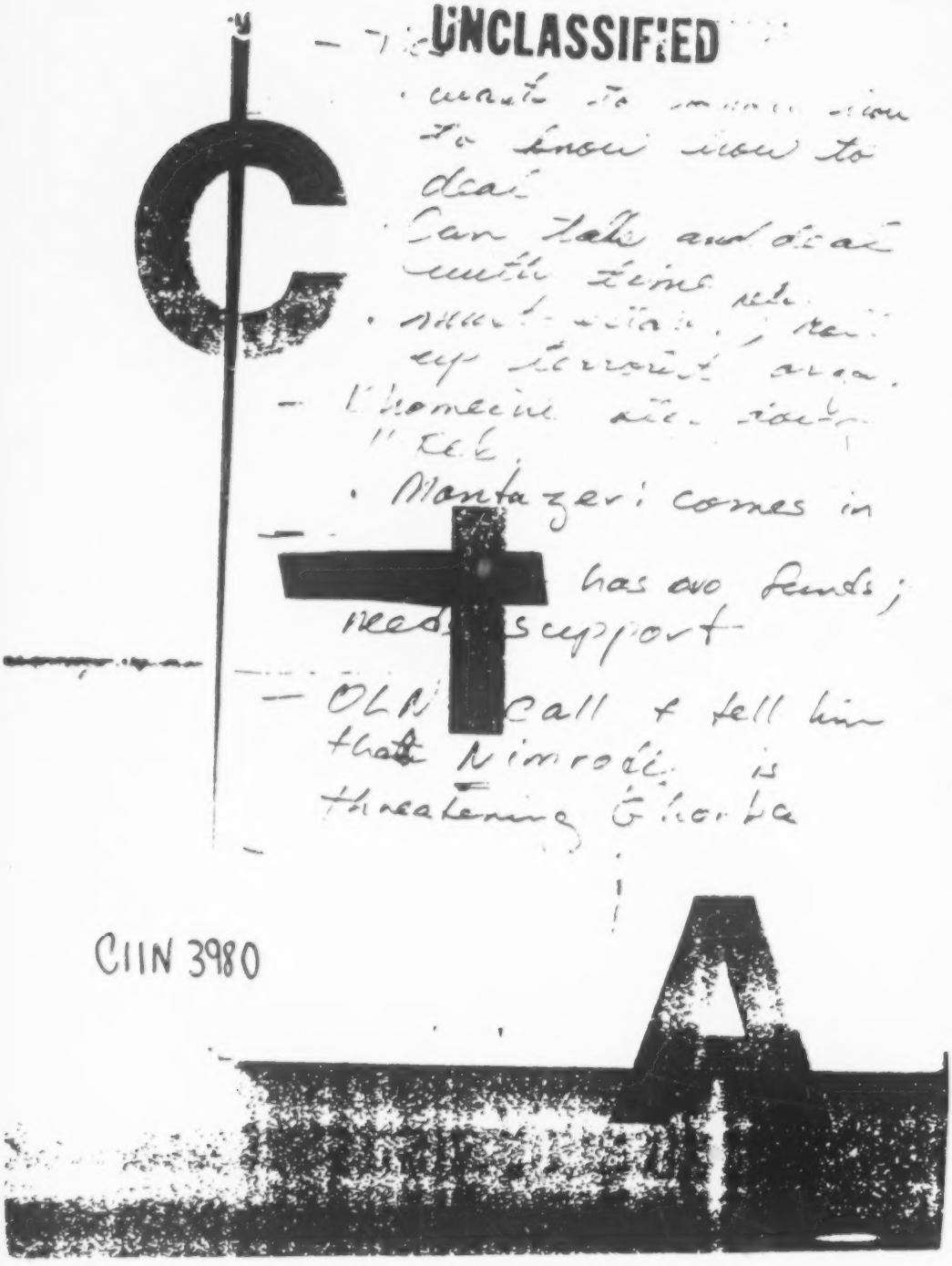
UNCLASSIFIED

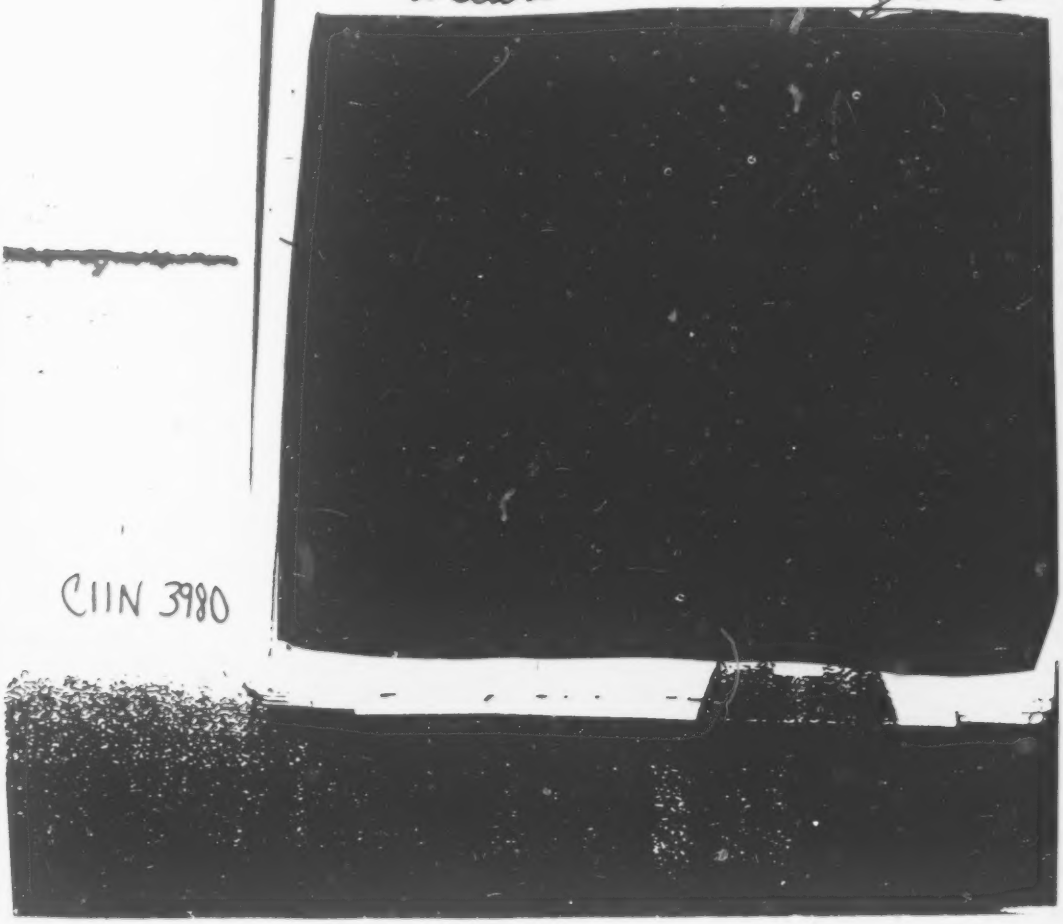

- UNCLASSIFIED
- want to know how to deal
- Can talk and deal with Zeins
- Montazeri comes in
- has evo funds; needs support
- OLN call & tell him that Nimrodi is threatening Khorba
CIIN 3980
UNCLASSIFIED

UNCLASSIFIED

D. C. - what do we want from US? Small share but partnership. G. never in front show. $100M that he can draw upon.

We are a company -- [redacted] claims G. may try to trick us

Wants an arrangement



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3 Feb 86
C. Association file
Duplicate

UNCLASSIFIED

The Director of Central Intelligence

Washington, D.C. 20505

C

National Intelligence Council

MIC 00543-86
3 February 1986

Allen Ex #53
6/29/87 mw

MEMORANDUM FOR: Chief, European Division/DDO

FROM: Charles E. Allen
National Intelligence Officer for Counterterrorism

SUBJECT: Request for Support from Mike Ledeen

1. Mike Ledeen came to see me urgently on 1 February stating that he required Agency assistance in obtaining [redacted] visas for two Iranian officials. Ledeen, a consultant to the National Security Council [redacted]

2. According to Ledeen, one of the individuals is [redacted] a well known member of the conservative, Line One faction. [redacted] The other individual who would accompany [redacted] The latter also applied for a [redacted] visa some time ago but it has not yet been granted.

3. Ledeen stated that in order for him to meet with these individuals as part of his NSC work for Poindexter, it is essential that [redacted] issue both [redacted] visas for one year for multiple entries. Ledeen claims to have met with [redacted] on two occasions and asserted that Bud MacFarlane, former National Security Advisor, wishes to meet [redacted] in the near future [redacted]

4. I told Ledeen that I would pass the request on to you with the hope that you could intervene [redacted] to insure that the visas are granted. [redacted] is definitely part of the [redacted] itant faction in Iran and contact with him probably would be useful.

Charles E. Allen

CL BY [redacted]
DECL OADR

CIIN 3982

UNCLASSIFIED [redacted] CONTACT/ORCON

Executive Registry 1984-1

5050

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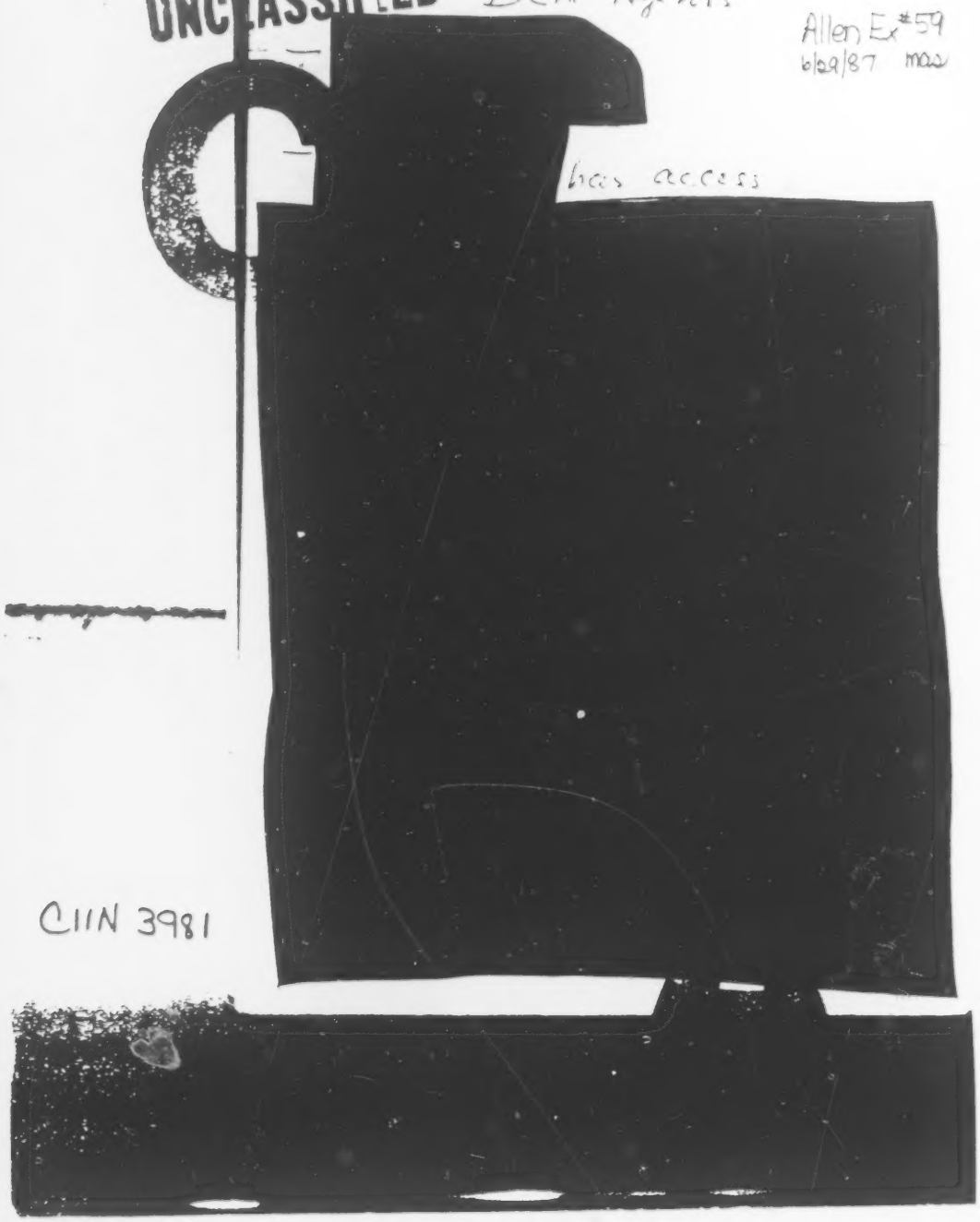
by K. Johnson, National Security Council

NC Date

UNCLASSIFIED DEA Agents

Allen Ex #59
6/29/87 mas

has access



CIIN 3981

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5051

Partially Declassified/Released on 3 FEB 98
under provisions of E.O. 12356

UNCLASSIFIED London

[redacted]

- Bhutto brought in
- Agreed to following course
  - CIA cube / weight data on items
  - Dick [redacted] — crated + uncrated
  - Tomorrow - intelligence, sample tomorrow
  - Dick [redacted] Bhutto -
  - Dick [redacted] has given everything
- Saturday - someone
  - en route to Bhutto
  - intel sample; whetting appetite; snippet
  - Iranians wanting to establ. snippet

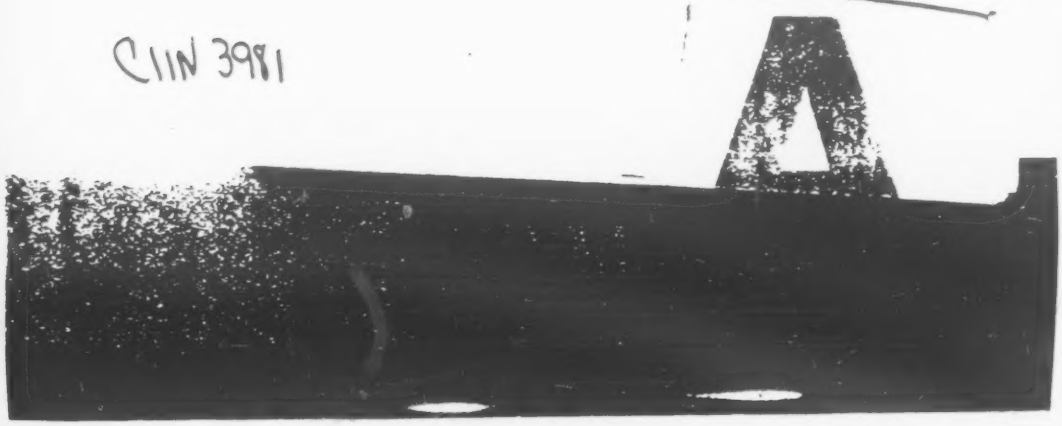
CIN 3981

[redacted]

UNCLASSIFIED

demand (Dick) - elements
of info
· On ~~Monday~~ Sunday - sample
to Shorba in Frankfurt
courier will carry
· On Tues - Shorba
(28 Jan) will get Tehran response
Wed - directed assets
to Israeli account
1,000
· Will transfer assets to
CIA proprietary
- cost of transportation
· DoD will missiles, turn over
to CIA Anniston to
- CIA transfer assets
· DoD - $6K per item 4,000 TOWs $24 M

CIIN 3981



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- Shipment costs - final destination [redacted] to $2M
- $100K - 1,000
- $500K needed now
- Iranians/Israelis now trust us
- $24M commitment from Iranian
- [redacted] 54 lbs - out of tube
- 1,000 per airplance
- Sterilization needed at TOWs crates not missile itself
- TOWs basic -- not concerned with US markings because they were in Iranian inventory up [redacted] 1978
- Crat[redacted] - sterilize in 1 day

IV Wed [redacted] 9 Jan (Credit Suisse)

- Transferring max. of $6M to Dick
- Iran → Israel → Dick — $6M for 1,000 TOWs & $100K for transportation

V. ~~Wed~~ Thurs. 30 Jan 1,000 TOWs to [redacted]

CIIN 3981

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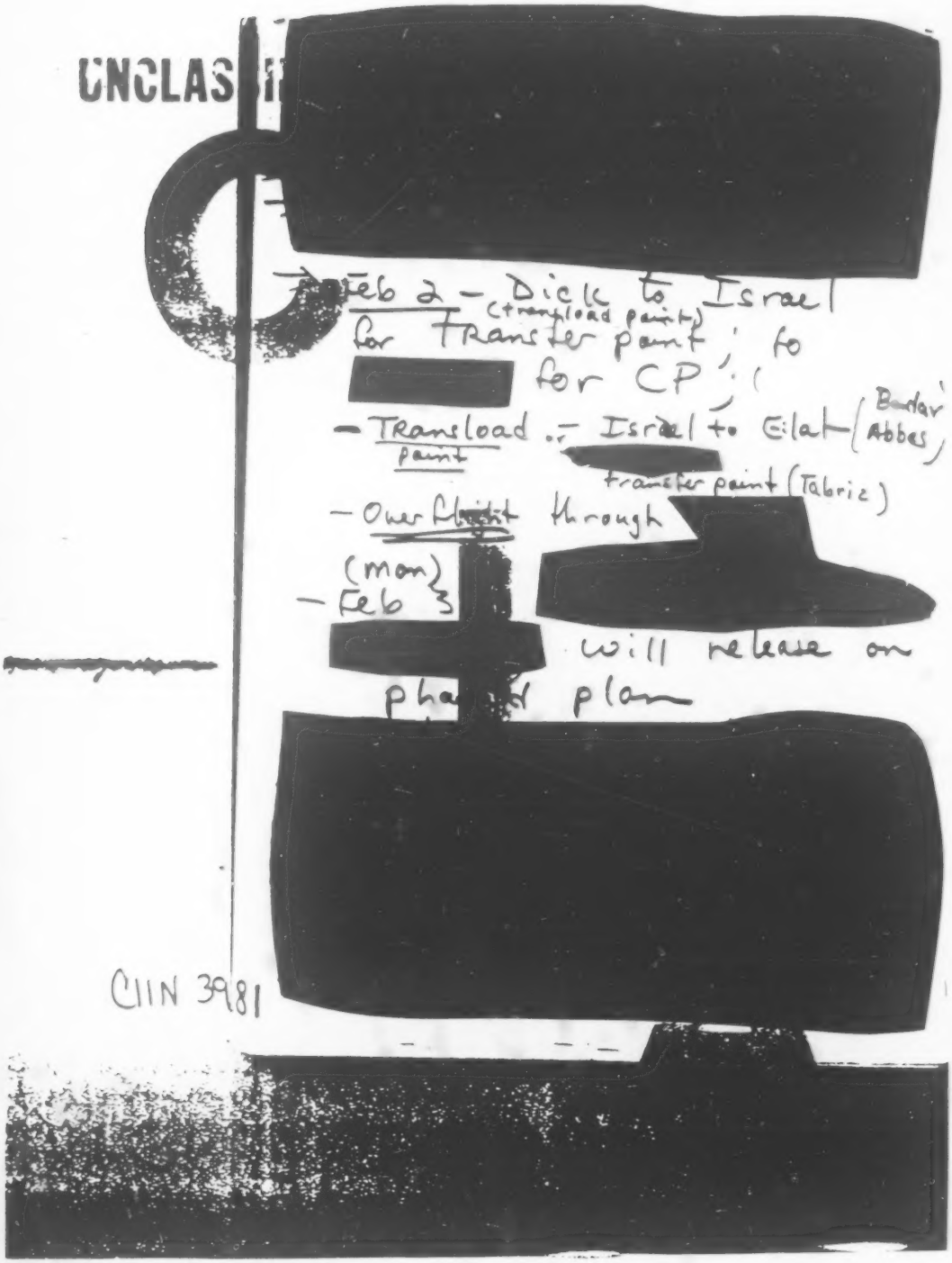
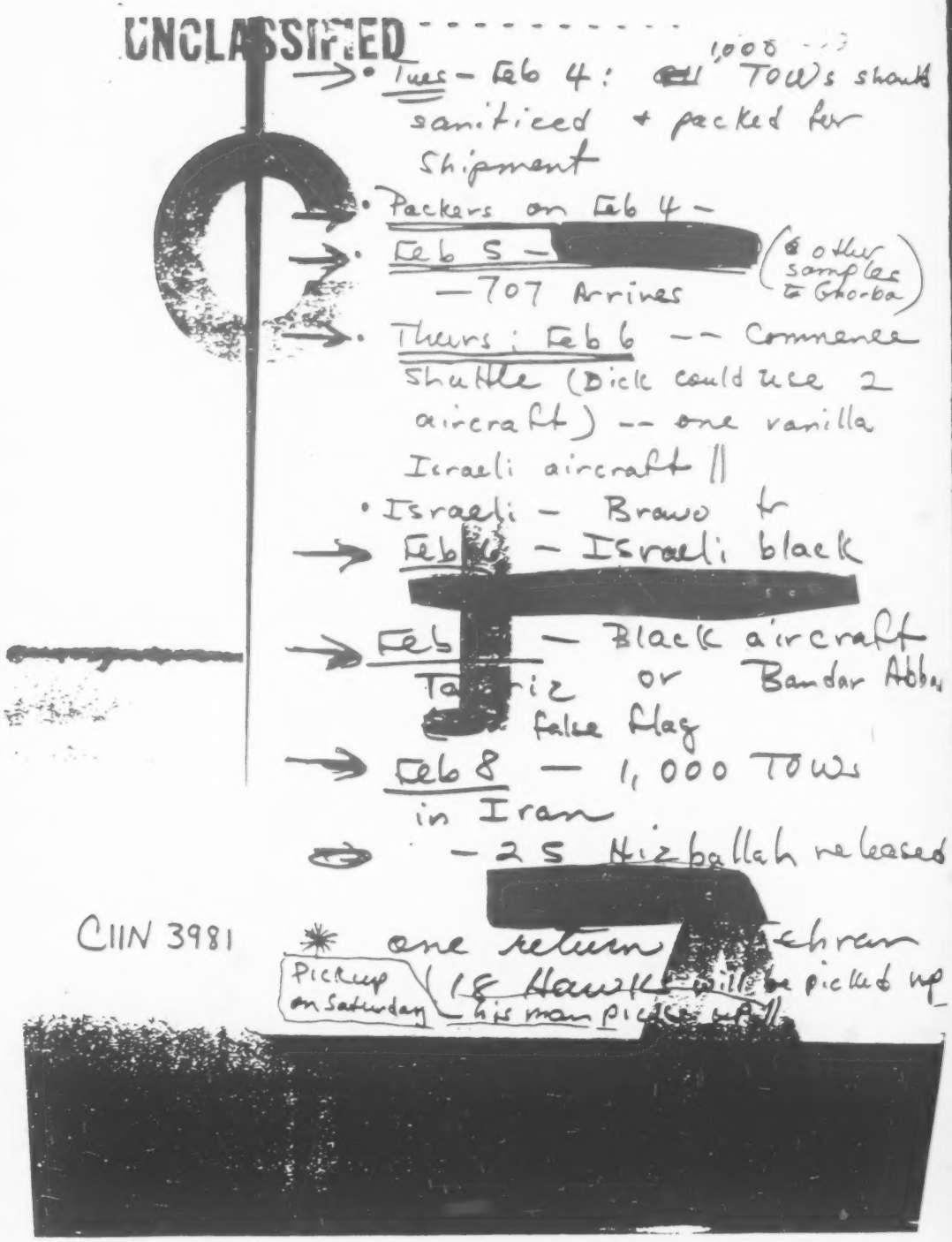

UNCLAS
Feb 2 - Dick to Israel
(transload point)
for Transfer point ; to
for CP ;
- Transload - Israel to Eilat (Border Abbes)
Point
transfer point (Tabric)
- Over flight through
(mon)
- Feb 3
will release on
plan
CIIN 39981


UNCLASSIFIED
Tues - Feb 4: 1000 TOWs shanks sanitized + packed for shipment
Packers on Feb 4 -
Feb 5 - [redacted] (& other samples to Ghorba)
- 707 Arrives
Thurs: Feb 6 -- Commence shuttle (Dick could use 2 aircraft) -- one vanilla Israeli aircraft ||
Israeli - Bravo tr
Feb [redacted] - Israeli black
Feb [redacted] - Black aircraft
Tabriz or Bandar Abbas
false flag
Feb 8 - 1,000 TOWs in Iran
- 25 Hizballah released
CIIN 3981
one return [redacted] Tehran
Pickup on Saturday
(8 Hawk will be picked up
his man picks up)

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(Sunday)
Feb 9 : all US released to Swiss,
hostages : UK;
or US Embassies in
Beirut
→ 25 Hizballah released
[redacted]
→ 18 Hawks returned to Israel.
→ $ [redacted] 15.0M — Hawks cost
returned to Iranian account
→ [redacted] - Feb 10
· Ghorba — will transfer
(#22M) resources in one lump
sum to see it moved
to Israeli account from
[redacted]; $21,048M from Dick to
[redacted] to purchase 3,508 TOWs
→ 3,[redacted]8 TOWs Not 3,000
will be bought
· [redacted] $21,048M
· Tues Feb 11 will move
to CIA account
CIIN 3981 · Cash in a[redacted]nce
→ Israelis will be re[redacted] 508

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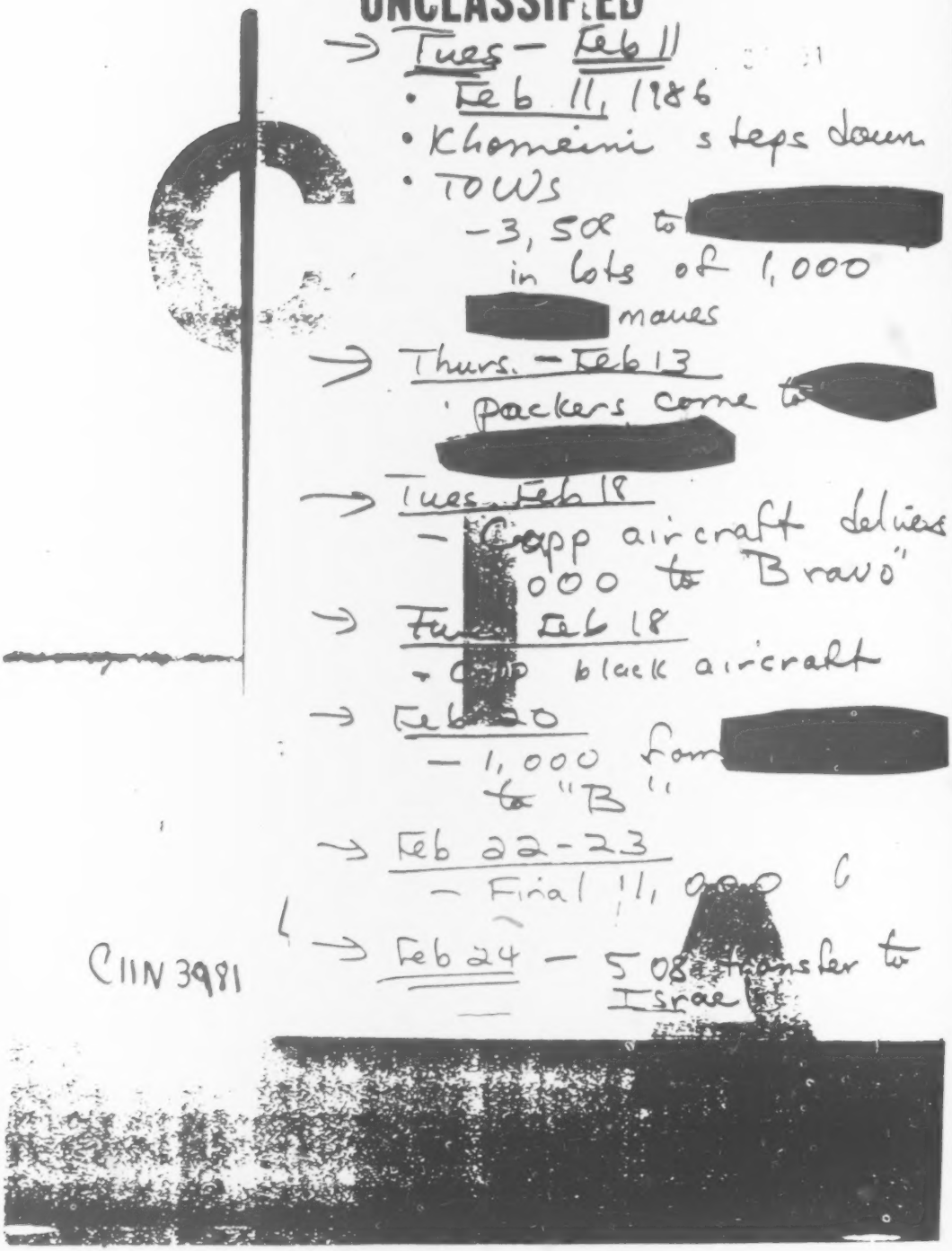

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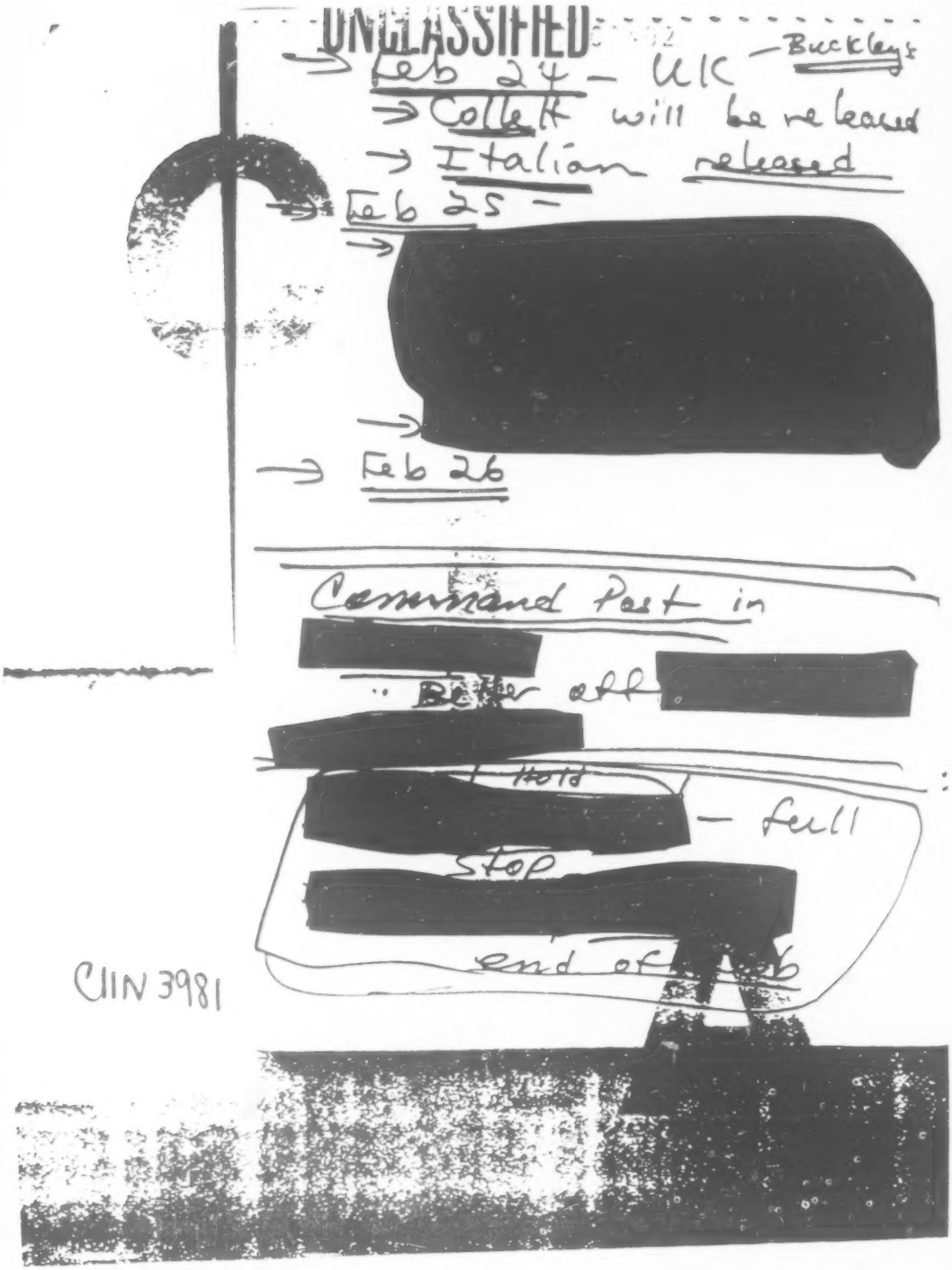

UNCLASSIFIED
Feb 24 - UK
Collett will be released
Italian released
Feb 25 -
Feb 26
Command Post in
Better off
Hold
- full
stop
end of
CIN 3981

UNCLASSIFIED

Annotated

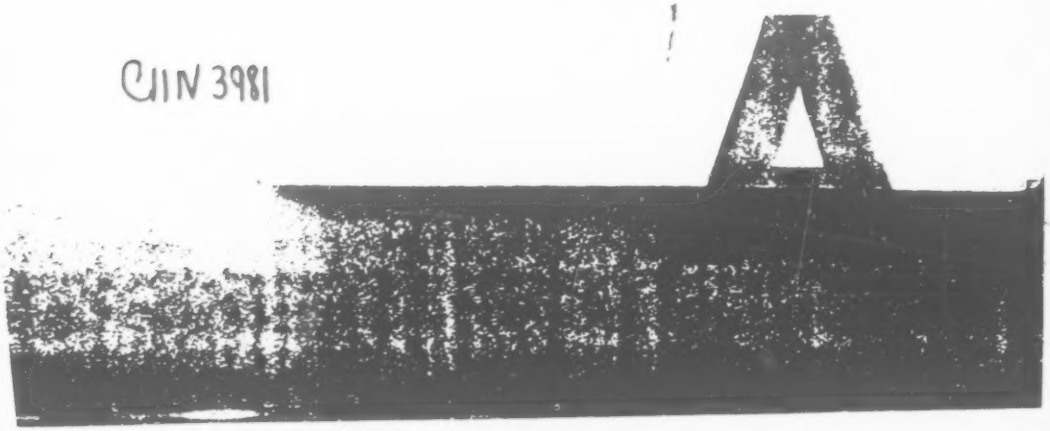
Gates — Iranian

Direct — directives

DDCI

- challenged Giuliano intel to the Iraqians
- Equipment — can be armed depl — one the
- Intelligence Gaps —
- P. — keep findings in-close intelligence; put into neutral situation
- State / DOD in meeting

CIN 3981



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[redacted]

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1 page C-54404

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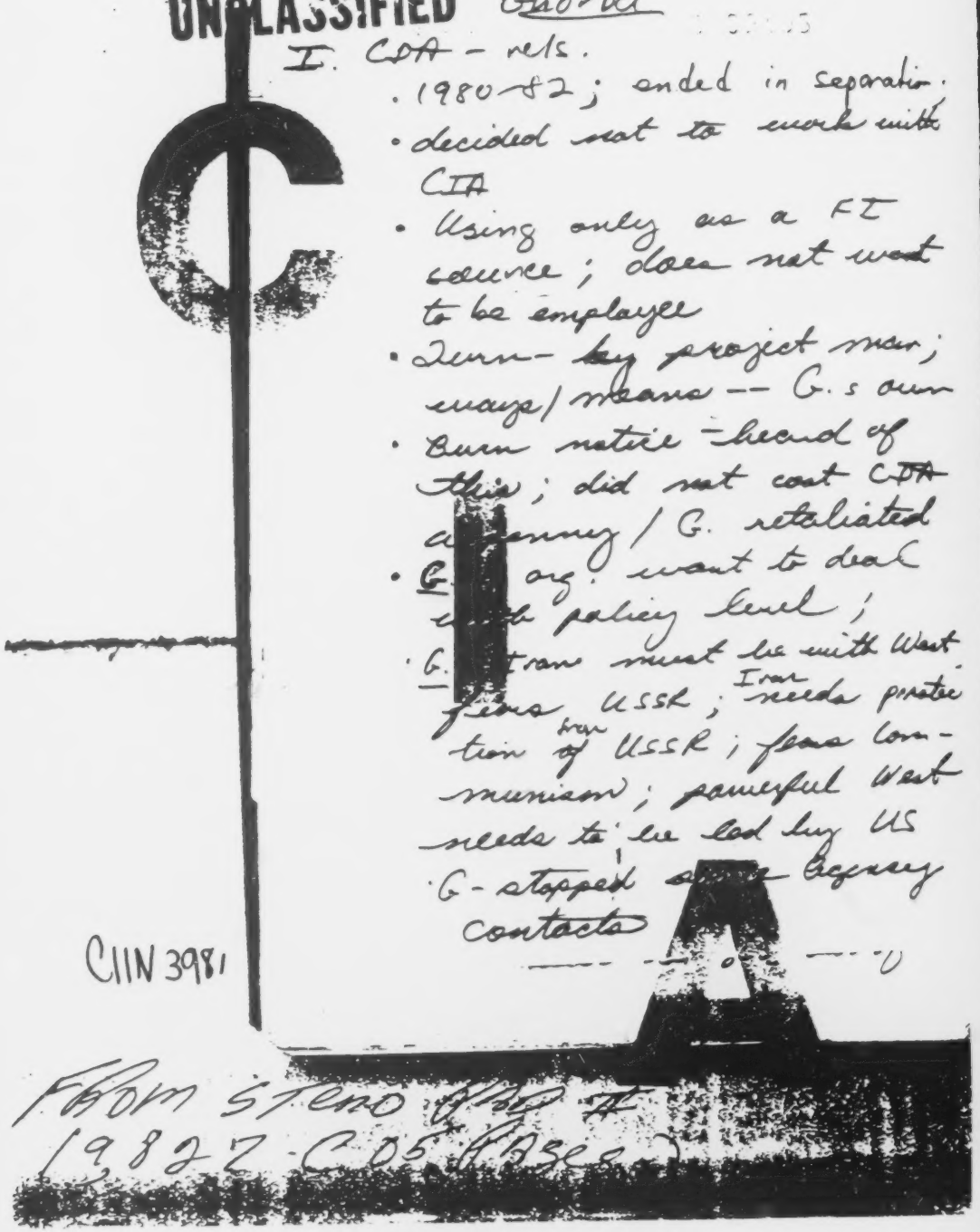

I. CIA - rels.
- 1980-82; ended in separation.
- decided not to work with CIA
- Using only as a FI source; does not want to be employee
- Penn - key project man; ways/means -- G.'s own
- Burn notice - head of this; did not cont CIA
- [redacted] org. want to deal with policy level;
- G. [redacted] fears USSR; Iran needs protection of Iran from USSR; fears communism; powerful West needs to be led by US
- G - stopped [redacted] agency contacts

C11N 3981

FROM STENO NOTE #
1982 CIA Rels

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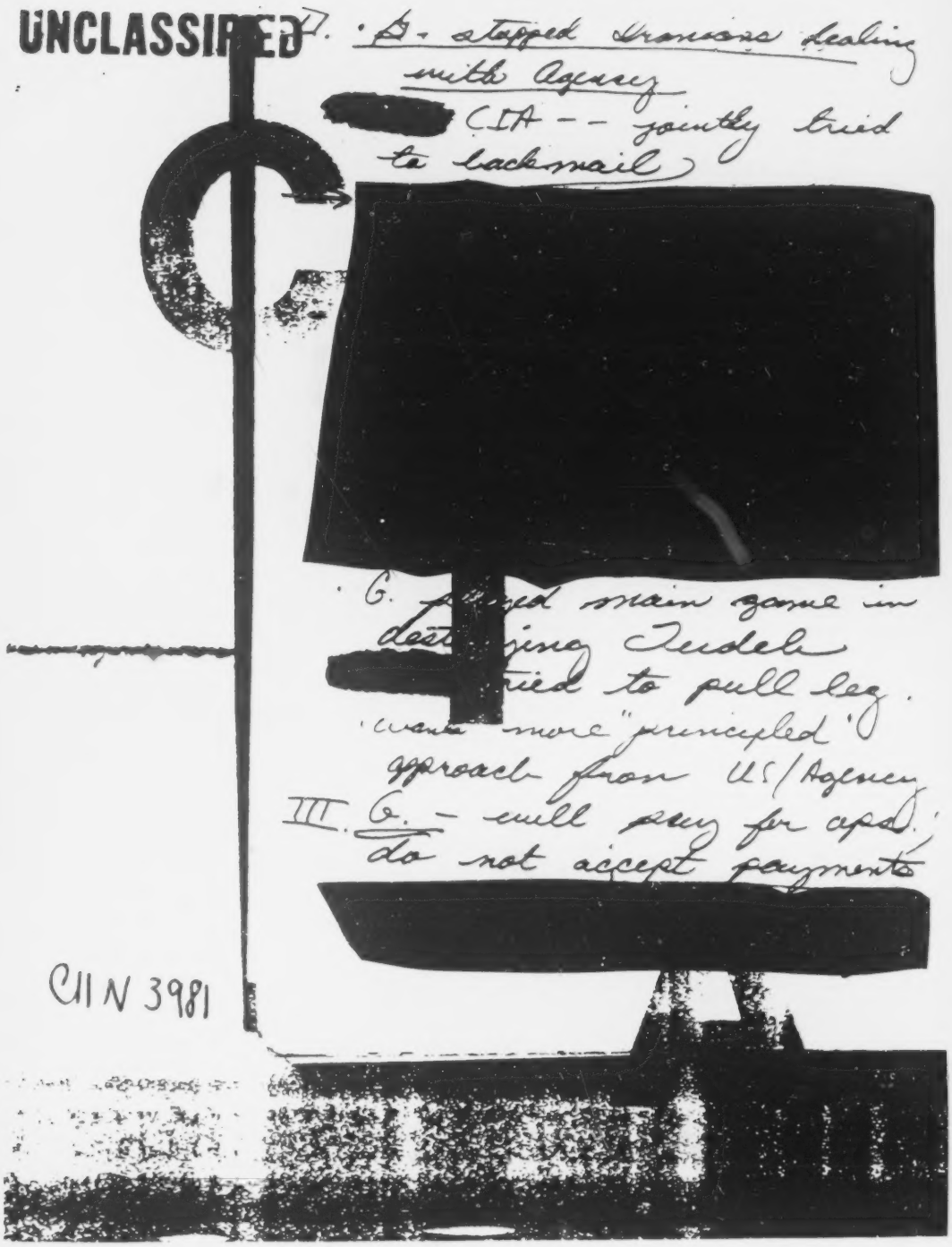
7. D - stopped Iranians dealing with Agency
[redacted] CIA -- jointly tried to backmail
6. [redacted] played main game in destroying Trudeh tried to pull leg.
wants more "principled" approach from US/Agency
III. 6. - will pay for apts. do not accept payments
CIN 3981

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UNCLASSIFIE [redacted]

Areas where C wishes to co-operate

- Hostages top priority
- 24 Jan problem must be solved
- [redacted] will strike Iranian [redacted]
- will lose face, upon transaction with CIS with Khomeini
- [redacted] decided to trust -- thought long-term rel. would be established, mil aid + mil asst.
- No attacks against CIS since CIS

CIIN 3981

A

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- Commenced [redacted] to go with US,
- Paid money against no deliveries
- Received materials (Hawk) -- old model (1977) model at 4 times price; Tehran Airport -- claims that US cheated
- 24 Jan — [redacted] -doesn't want to see intermediaries [redacted] have much money with G.
- G official message will come after US -- a bloodshed - would not mind retaliate

CIIN 3981

-have an offer

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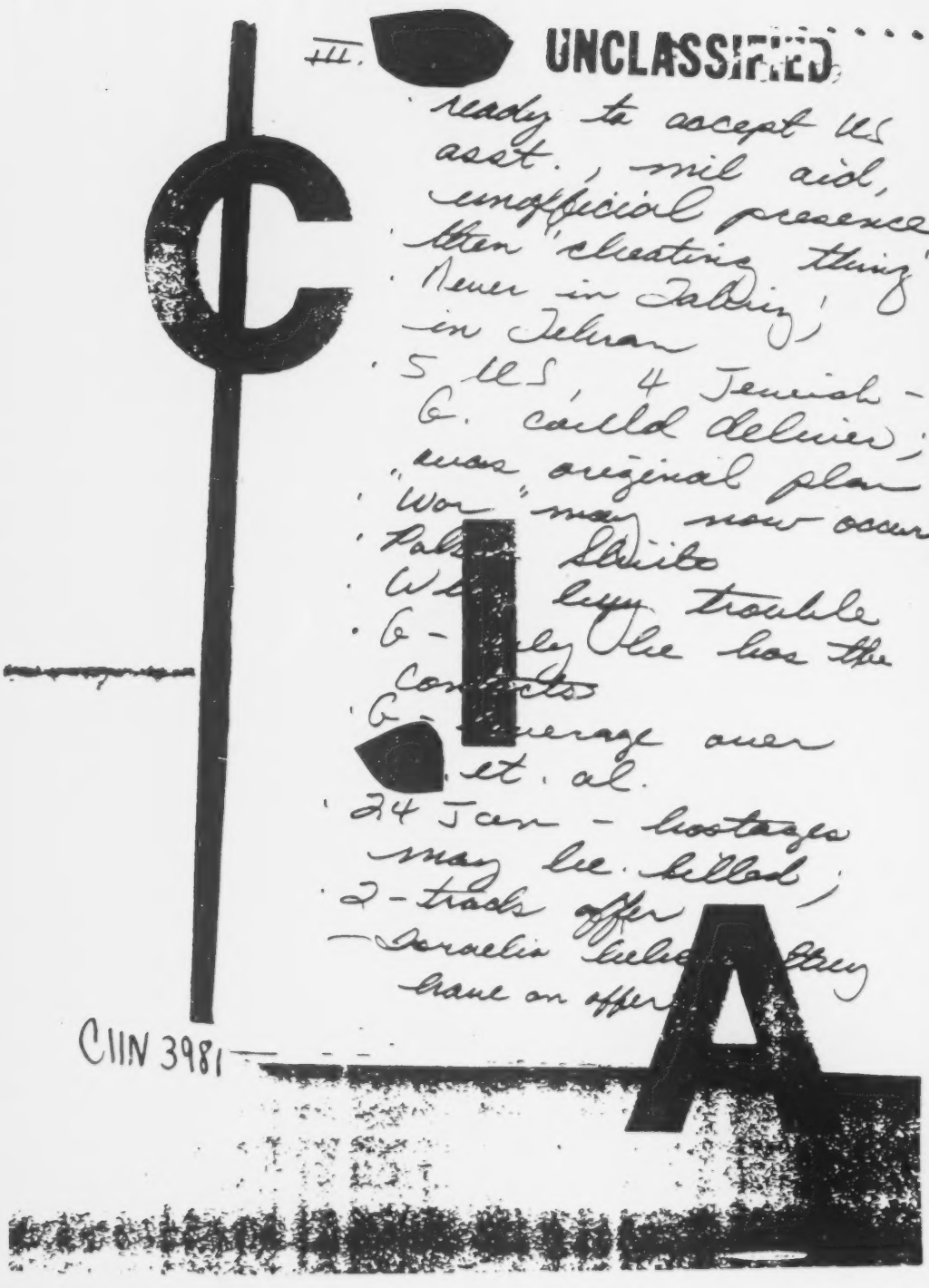
UNCLASSIFIED
III.
ready to accept US asst., mil aid, unofficial presence
often "cheating thing"
Never in Tabbing; in Tehran
5 US, 4 Jewish -
6. called delivery;
was original plan
"Won" may now occur
Pahlavi Shiites
W[illegible] key trouble
6 - only One has the contacts
6 - leverage over
et. al.
24 Jan - hostages may be killed;
2 - tracks offer
Israelis called they have an offer
CIIN 3981
A

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Ghorba in Paris 18 Feb 86
1830 hours

C

[redacted]

Charge of all ops outside of Iran

[redacted]

CIIN 3981

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[redacted]

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1 PAGE

C-9411

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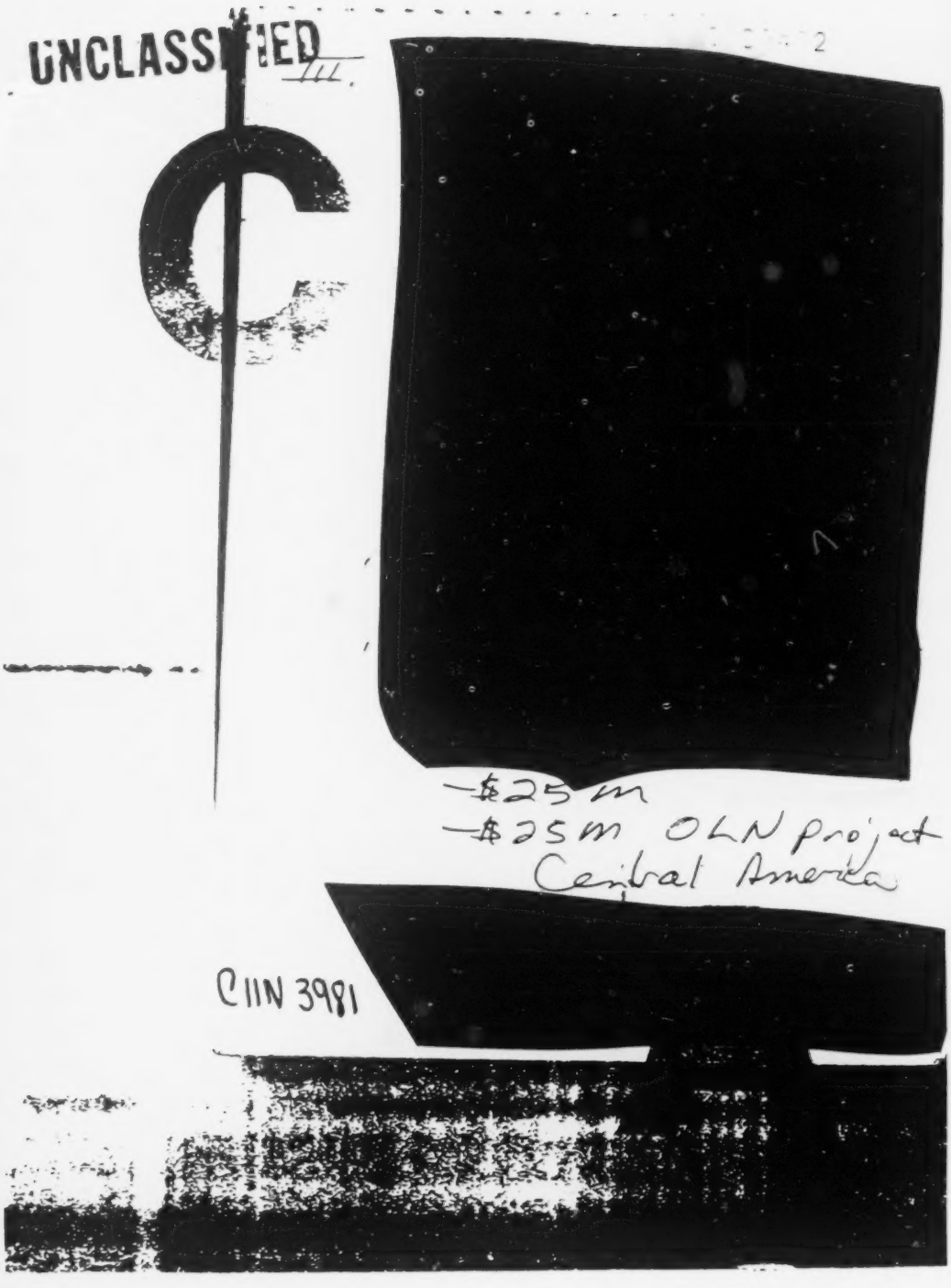

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3 pages
C-09413 thru C-09415

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28 MAY 86
C. A's chrono file
McNeil Issued

The Director of Central Intelligence
Washington, D.C. 20505

NIC 02549-86
28 May 1986

Allen Ex #60
6/29/87 mas

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM: Charles E. Allen
National Intelligence Officer for Counterterrorism

SUBJECT: Michael Ledeen

1. Michael Ledeen, the well known journalist and consultant to the National Security Council (NSC) on counterterrorism, has requested my assistance in arranging an appointment with you to "discuss a sensitive matter". I do not know the substantive issue that he wishes to discuss, but he commented that it involved [redacted].

2. Ledeen, as you know, worked closely with Bud MacFarlane when the latter was the National Security Adv[illegible]. He has been retained by Poindexter as a consultant on counterterrorism [illegible]etains all of his security clearances. It is my impression, ho[illegible], that Poindexter does not deal directly with Ledeen but allows him [illegible]k with NSC staffers Ollie North and Howard Teicher on international terr[illegible] and other Middle Eastern issues.

3. Ledeen has met with the DCI [illegible]st twice in recent months to discuss Iranian terrorism. He has also met [illegible]Clair George. Given his credentials and continued access to the NSC, I recommend that you agree to meet with him briefly. If you concur, I can arrange with Ledeen an appropriate time for him to call on you.

Charles E. Allen

Partially Declassified/Released on 3FEB88
under provisions of E.O. 12356
by K. Johnson, National Security Council

5052

CL BY
DECL OADR

CIIN 3989

UNCLASSIFIED

Executive Registry 1995

Jul 86 EX 61
6/29/87 ma

UNCLASSIFIED

July 8[illegible]

military says costs —
[illegible] times price in catalogues
Military talking about prices
1985 catalogues
— release 1 of our accounts
[illegible] we release 240
or date for release
Check out prices & call
back tomorrow.
can't get critical items black
markets; vie[illegible] in Tehran
that U.S. Govt. is cheating
— Hangup
— losing fa[illegible]
— G. in tro[illegible]
— need parts
— resistant to concluding
because of price difference
cannot get several
critical items
— $10 M — over $20 M

985-030

A

Executive Registry 20[illegible]

CIN 3995

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5053

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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Price — 60% increase; [redacted] initely not a 100% [redacted]

* — 25% [redacted] financiers refused to pay in advance
— don't know truth
— only aware of total prices

— Merchant: reasonable commission financiers
— 60% increase
— not more than 60%

A

C11N-395

Executive Registry 2002

UNCLASSIFIED

C 215
Allen Ex 62
6/29/87 mac

Carpet to [redacted]

- CASE - microfiche (D. claims he has)
  - Have hold records and compared prices
  - unprepared to pay this much
  - Tehran does not trust the merchant. believes merchant has grossly inflated prices
  - Price list sent to merchant
  - Deal must go down early
    - upset to way delegation treated in Paint Temple
  - Call tomorrow [redacted]
  - Will call merchant tonight
  - Big hangup over prices
  - Said he would send microfiche to A for our review
  - Fixation on price

Partially Declassified/Released on 10-[illegible]-88
under provisions of E.O. 12356
by K. Johnson, National Security Council

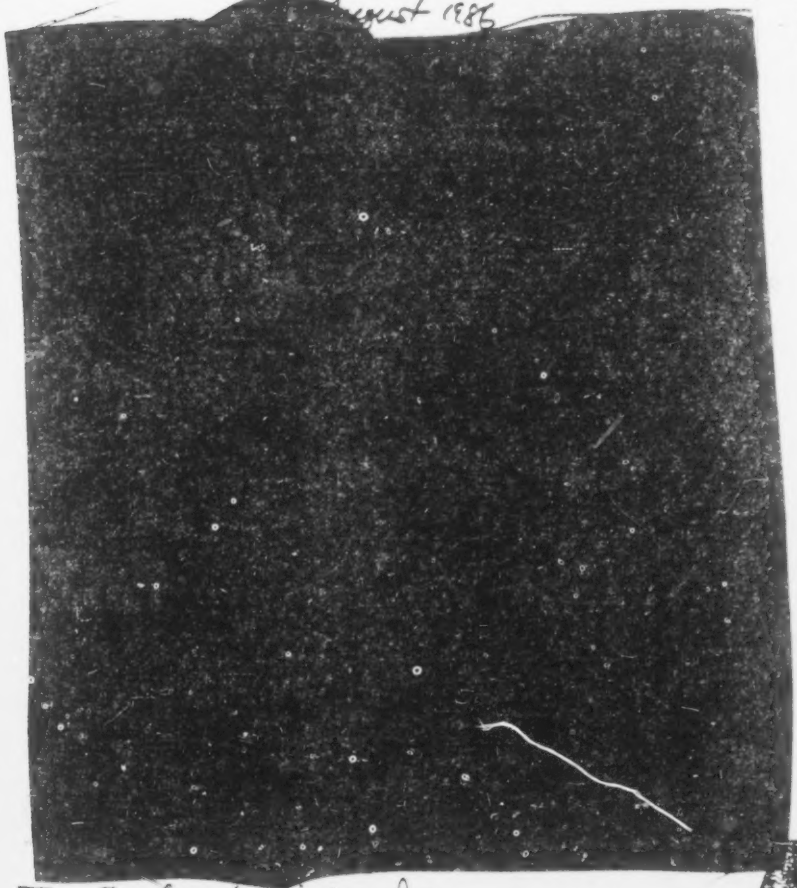
NARA

5054

UNCLASSIFIED

Allen Ex #63
6/29/87 mac

Case / Stakes
August 1985



II. Def. Logistics Agency
- microfiche – laser printed
- Can't produce new microfiches – 45 – 210 poses on each microfiche

Executive Registry 19995

CIIN 3994

UNCLASSIFIED

5055

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by K. Johnson, National Security Council

[redacted] talked on sat.
— meet ASAP;
to [redacted] of deal; sent
check when inventory
completed; get next
shipment — 39 tubes + 500
TOW's; piecemeal approach;
· DCI — convinced

[redacted]

[redacted]

CIN 3994

UNCLASSIFIED

Executive Registry 19996

UNCLASSIFIED

9 Aug 86
C.N. 5
Allen Ex. #64
6/29/87 mas

UNCLASSIFIED UNCLASSIFIED

SECRET/SENSITIVE

PHONE CALL WITH [redacted] ON AUGUST 9, 1986

1. AFT[redacted]RKE PROPOSED TO [redacted] THAT WE MEET IN EUROPE ON OR ABOU[redacted]UGUST. [redacted]RKE ALSO PRESSED [redacted] TO PAY THE MERCHANT FOR THE REC[redacted]HIPMENT [redacted]OON AS POSSIBLE SO THAT FUNDS WILL BE AVAILABLE FOR THE [redacted]T STEP. [redacted] SAID THAT HE WAS WILLING TO MEET IN EUROPE, BUT DIDN'T [redacted]KE WANT TO GET ONE OF THE REMAINING ACCOUNTS RELEASED AS SOON AS [redacted]SIBLE? CLARKE SAID YES WE WANTED THIS TO HAPPEN SOONEST. [redacted] SAID [redacted]ONCE THE [redacted]T SHIPMENT ARRIVES, HE WILL TAKE STEPS TO HAVE THE ACCO[redacted]NBLOCK[redacted]X IMEDIATELY. CLARKE THEN URGED [redacted] TO MAKE THE PAYMENT [redacted] AS SOON AS POSSIBLE. [redacted] SAID THAT THE INVENTORY OF THE LAS[redacted]SHOULD BE DONE BY 11 AUGUST. HE WILL SEND A CHECK TO THE MERCHAN[redacted]MEDIATELY AFTER THE COMPLETION OF THE INVENTORY. CLARKE ASKED [redacted] IF HE WAS CERTAIN THEY NEEDED THE 39 NUMBER 24'S BECAUSE OUR MILITARY DOESN'T USE THAT MANY IN 10 YEARS. [redacted] SAID THAT HE HAD CHECKED WITH THE "EXPERTS" AND THEY SIAD THAT THEY MUST HAVE THESE ITEMS.

2. [redacted] WAS IN A VERY GOOD MOOD AND SEEMED PLEASED THAT WE HAVE SUCCESSFULL COMPLETED PART OF THE DEAL. HE INVITED CLARKE TO DINNER SAYING THAT HE HAD GUESTS IN HIS HOUSE FOR DIN[redacted]HAT EVENING AND WOULD BE GLAD TO HAVE CLARKE.

[redacted]

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under provisions of E.O. 12356
by K. Johnson, National Security Council

A

Executive Registry 19168

UNCLASSIFIED

CIIN 4027

5056

28 Aug 86

UNCLASSIFIED [redacted]/NOFORN/NOCONTRACT/ORCON

The Director of Central Intelligence
Washington, D.C. 20505

Allen Ex. #6
6/29/87 mac

National Intelligence Council

28 August 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Adam

I 0174

1. On the afternoon of 27 August I called Adam [redacted] to determine the current location of the merchant. [redacted]

2. Adam stated that the merchant almost certainly was in Paris and that he expected to receive a call from him in the next hour or so. He said that he would be meeting with the merchant in Europe during his forthcoming travel to the United States.

3. Adam inquired whether Sam had been in touch telephonically with the [redacted]. I told him that to the best of my knowledge no conversations between Sam and the [redacted] had occurred or that any were planned. (Actually, I was aware that the [redacted] had called Sam and that very significant information had been exchanged between the two relating to the possible release of another American hostage. Unfortunately my effort to deflect Adam's interest was quickly overcome because the [redacted] called the merchant and informed him in some detail about his conversation with Sam. Adam in turn called Goode to complain about the lack of a coordinated approach in dealing with the [redacted].

4. [redacted]

Charles E. Allen

cc: [redacted]

CL BY SIG...
DECL OADR ... VOL I

CIIN #506 A28 UNCLASSIFIED [redacted]/NOFORN/NOCONTRACT/ORCON

5057

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Partially Declassified/Released on ... under provisions of E.O. 12356
by K. Johnson, National Security Council

2 JUN 87

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DENIED IN
TOTAL

5058

UNCLASSIFIED

10 Sep 86

UNCLASSIFIED [redacted]/NOCONTRACT/ORCON

Allen Ex #68
6/29/87 mar

[redacted] Intelligence Co[redacted] 10 September 1986

MEM[redacted]M FOR: D[redacted]t of Central Intelligence

FROM: [redacted]es E. Allen
[redacted]ector, Hostage Location Task Force

SUBJECT: American Hostages

1. I met with Ollie North last night at his office on American hostages. Ollie had just returned from a meeting with John Poindexter on the same subject.

2. Poindexter has given Ollie n[redacted]idance on the American hostages, namely:

[redacted]

— Ollie is to continue to deve[redacted]inks to the Iranian Government through Albert Hakim and Dic[redacted]cord of Stanford Technology Associates. (Hakim, as you [redacted]vare, has links to [redacted] of Rafsanjani. [redacted] appa[redacted]y is attempting to arrange for Ollie and George Cave to meet with [redacted]anjani, presumably with the next shipment of arms to Tehran.)

— Ghobanifar will be cut out as the intermediary in future shipments of cargos to Iran, if at all possible. To cut Ghobanifar out, Ollie will have to raise a minimumm of $4 million.

— If there is no other channel for financing future arms shipments, then Ghobanifar will be used as a last resort.

3. Ollie is greatly relieved by Poindexter's decisions [redacted]e feared that John and the President would shut down completely this [redacted]nel to Iran because of the kidnapping yesterday of Frank Reed.

[redacted]

Reed released immediately

Charl[redacted] Allen

CIN 3974

CL BY [redacted]
DECL OADR

Executive Registry 19739

UNCLASSIFIED [redacted]/NOCONTRACT/ORCON

5060

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under provisions of E.O. 12356
by K. Johnson, National Security Council

29 JUNE 83

UNCLASSIFIED

1 pages

ALLEN Exhibit # 69

dated 6/29/87

DENIED IN

TOTAL

5061

UNCLASSIFIED

NO Date

Allen Ex #72
6/20 pm 11:20

UNCLASSIFIED

NLR

THE WHITE HOUSE
WASHINGTON

[redacted]

· DCI - where are the Iranians?
- NIO: hostages
- long-term strategic advantage
- NIO: we learned about Iran long-term prospects important
- NIO: several circles ① inner circle of hard liners ② 2nd circle -

[redacted]

more moderate
less hard line ③ opposition
Circle
· people who

[redacted]

C11N 3991

Executive Registry 19781

UNCLASSIFIED

5062

Partially Declassified/Released on 3 FEB 88
under provisions of E.O. 12356
By K. Johnson, National Security Council

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THE WHITE HOUSE
WASHINGTON

Cautious [redacted] They are not afraid; they are critical;

[redacted] third group not too influential; ⊙ circle outside opposition

— Nir: most promising are the moderates -- in govt

[redacted]

III. Nir — to need more than one channel; lead to eliminate nuke; have found good contacts; now to deal with hostages; top Iranians to talk about the future; Iranians want to talk about immediate

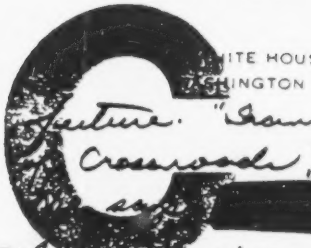
A

Executive Registry 19982

CIIN 3991

UNCLASSIFIED

UNCLASSIFIED



ITE HOUSE
HINGTON

Gesture. "Iran is in middle of Crossroads." Context of [redacted] coming

- ~~Iran Iraq~~: one last try; economic sit is devastating; lack of raw materials; lack of machinery; shortage of medicines;
- DCI - final offensive - what?
- NIO - ~~will get~~ may get Basra (a shot) DCI not too sure DCI - good chance that [redacted] golden Hussein falls; withdrawing war is last result; Iran exhausted;

[redacted]

Executive Registry 9983

CIIN 3991

UNCLASSIFIED

-ALLEN EX #70

UNCLASSIFIED

2 PAGE C-09443 thru C-09444

DENIED IN TOTAL

UNCLASSIFIED

30 Sept 86

UNCLASSIFIED

Allen Ex. 71
6/29/87 NOO

- KEMPER Insurance
  - list parts with cost
  - [redacted] ice
    3,480 apiece last time
    3.0 apr 86
- $4 M
  $16 M
- [redacted] $13.7M to Nir
- Merchant: { $12 M under
  * { trying to raise more
  * { merchant has no - made any
  * { money // will take everything //
- 65 items - not working - belonged to a higher [redacted] creation
- Package -- make call when all items are there;
- [redacted] - will not come out; boss in difficulties
- merchant - has to make explanation to [redacted]

Executive Registry 19990

CIIN 3993

UNCLASSIFIED

5063

[redacted]

Partially Declassified/Released on 3 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

19 Sep 86

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1. They transfer money to our account.
2. We deliver 500 Tows.
3. Cop and Sam help them prepare a plan with which they can approach the Kuwaitis in which they promise no terrorism and no fomenting fundemtatlists against the regime. They will show this to Hizbullah as their own work and tell them will present this to the Kuwaitis in return for release of some of the 17 on an appropriate religious holiday. Hi[illegible] will have to agree to this.
4. 2 hostages released within 4 days of tow delivery. If only one released, we every[illegible] changes and we meet again.
5. We repeat funding and delivery as in one and two above.
6. We send tech support for Hawks and updated intel. Secure comm team and provide for them the location and availabity of things on their lists.
7. Iran does utmost to obtain the release of all other hostages.

Note: 6 and 7 will be based on a subsequent meeting [redacted]

C

A

+BOUE ARE 7 POINTS ARRIVED AT DURING THE 19-20 SEPT, 1986 MEETING IN WASHINGTON.

Allen Ex. #
4/29/87

Executive Registry 19652

CIIN 3960

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5064

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by K. Johnson, National Security Council

Tab A to Att 86
4/28/87 mas

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8 October, 1986
Evening until midnight

1. Iran would pay to Mr. Hakim the price of 500 TOW [missiles],--and if so desired--the Hawk parts that remain from previous agreement.

2. Nine [illegible] days later--should Iran agree--five hundred TOW's will be sell as Hawks together with donated medicines [illegible] to Iran.

3. [illegible] to fulfilling the provisions of paragrapn number 4, Albert will submit the plan for the release of the Kuwaitis [17 persons].

4. One and one-half American hostages in Lebanon (one with certainty and possibly two through persistent effort) [sic] to be released from the Lebanese through Iran's effort, (3-4 days after the delivery of the cargo mentioned in paragraph 2).

5. Through a method for opening of credit to be studied by Albert and [redacted] by tomorrow night: Five hundred TOW missiles with a maximum [illegible] hundred launchers to be delivered to Iran within [illegible] days after fulfilling the provisions of paragraph [illegible] Iran will pay for 1500 TOW's (500 received and [illegible] future ones). And the 1,000 TOW's will be delivered to Iran within nine days.

6. The United States sh[illegible] start and implement the technical support (both in g[illegible] and expertise) for Hawks as well as the rejuvenation of [illegible]ary information [intelligence] and maps and special communi[illegible]n. And it [the U.S.] will submit to Iran the price schedule and time table for the delivery of [redacted] items.

7. Prior to return of [redacted] to Tehran, the question of Muslim (Shi'a) prisoners in Lebanon and the process for their release by the parties involved shall be discussed with Secord.

8. Iran shall pursue its efforts for the creation of [proper] background for the release of other hostages.

9. Steps to be taken for the submission of items mentioned in paragraph 6, second sentence.

E N D

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Tab A

THIS IS FIRST DRAFT OF 9 [illegible] THERE WERE SUBSEQUENT REFINEMENTS WHICH ARE ONLY AVAILABLE AT THE NSC.

CIIN 3961

Executive Registry 19653

5065

Partially Declassified/Released on 3 FEB 88
under provisions of E.O. 12356
By K. Johnson, National Security Council

9 Oct 86

UNCLASSIFIED

8 Oct

[redacted] from DCI
to CNE

[redacted] 0606

1. A New York man whom I haven't seen in some years came in to tell me that he is currently working for Adnan Khashoggi and is involved in transactions involving Iran.

2. Khashoggi apparently got some Canadian investors to put $15 million into a company called Lake Resources which was to acquire goods for shipment to Iran. The Canadians are said to have put up their money as a loan which was repayable in 30 days. As of now they have been waiting five months for their money and are very close to doing something to recover money put up since May 15 without any collateral or signatures. Credit Suisse in Geneva is in some way involved in this. Khashoggi put the group of Canadians together but feels their panic about their money is such that he will not be able to control it for long. He believes that members of the Canadian group have been talking to Leahy, Cranston and Moynihan. They are claiming that the latest shipment was $10 million short because 63 pieces were defective and 299 were missing.

3. The final message was that the only way to handle this matter is to supply the rest of the equipment or agree on a refund of X number of dollars or repay $10 million.

Allen Ex. #74
4/29/87 mas

UNCLASSIFIED

CIN #182/505

5066

[redacted] Declassified/Released on 3 FEB 88
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by K. Johnson, National Security Council

9 Oct 86

UNCLASSIFIED

9 October 86

Allen Ex. #75
6/29/87 mas

I. Merchant - mood shape; mother tearmed Lorin to visas.
- Merchant confident that US is trying to hurt him
- Los Angeles: Green card for Gitty: nothing has happened; she wishes citizen to come; G[redacted] cannot get visa; Merchant wants Gitty back
- What is the status?
- Heart, blood pressure, digestion problem

: Merchant - financial standing
- Does not have money
- Guy will not stand there; does not owe US
- Heart by US; will take revenge

[redacted]

Executive Registry 20089

CIIN 4002

UNCLASSIFIED

5067

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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→ · Legal, financial
· Strategy: Is there any recovery possible?
III. Soon – out of hospital;
A will to meet, but
IV. [redacted] Project
· Experts meeting next week
· Send good report
→ damage limitation

[redacted]

CIIN 4002

UNCLASSIFIED

14 C.F.R. 26

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86-1068A
01

THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

14 October 1986

DCI

Attached is a memorandum on problems that I see with our initiative towards Iran. Also included are a number of recommendations that I believe should be implemented to prevent this initiative from floundering. I have not consulted with other individuals involved on the US side, nor have I discussed it with Ollie. If you require further background, please let me know.

Charles E. Allen
NIO/CT

I 0137

Allen Ex. 76
6/29/87 mas

THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

14 October 1986

DCI

Attached is a memorandum on problems that I see with our initiative towards Iran. Also included are a number of recommendations that I believe should be implemented to prevent this initiative from floundering. I have not consulted with other individuals involved on the US side, nor have I discussed it with Ollie. If you require further background, please let me know.

Charles E. Allen
NIO/CT

5068

Partially Declassified/Released on 3FEB88
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by K. Johnson, National Security Council

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Objectives of the Program:

- In the short term to resolve the American hostage problem in Lebanon, through the offices of Iran, to include

  return of all presently held American hostages, and

  cessation of hostage-taking;

  and to accomplish this without jeopardizing our public policy of non-negotiation with terrorists and hostage-takers.

- In the longer term to establish contacts within the [illegible] to test the possibility of

  bringing about a change in the regime in Iran (or its attitudes), thereby

  establishing gradually a rapprochment between the United States and Iran.

- Ultimate, Strategic Objectives remain an alliance which [illegible]

  containment of the Soviet Union on a crucial flank and preventing their move toward the middle east;

  [redacted] counterweight to Arab themes in the Middle East;

[redacted]

Problems with the Program:

For over a year the US Government -- using private and Israeli intermediaries -- has tried to resolve the hostage crisis by treating with Iranian officials; the long-term goal of eventually restoring a strategic relationship has remained in the background. The principal intermediary has been Ghorbanifar, and the principal official has been [redacted]

In return for the shipment of American arms to Iran, the release of two American hostages was achieved.

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UNCLASSIFIED I 0189

Because the Ghorbanifar [redacted] channel, was viewed as slow and unreliable, the White House -- encouraged by Secord and Hakim -- has turned to a new channel. The new channel [redacted] involves an individual purporting [redacted] direct contact to Rafsanjani, Speaker of the Majlis and second most powerful man in Iran.

- The [redacted] is accepted as genuine -- although his influence with Rafsanjani and his delegated authority are less clear.

[redacted]

- While the tone of the meetings has been generally positive, the bargaining has been tough and the [redacted] disclosure remains elusive.

A problem that may confront us is the disposition of [redacted] claims he was never compensated for some of the arms [redacted] Iran, arms for which he arranged the financing.

- Ghorbanifar and his creditors, including Adnan Khashoggi, appear determined to recoup their "losses", even at the risk of exposing US covert arms shipments in exchange for release of our hostages.

We have a festering sore for which no treatment has been prescribed. [redacted] has demanded that the Ghorbanifar-[redacted] channel be shut down. Indeed, [redacted] claims already to have coopted [redacted]

[redacted] stated that he, and ostensibly Rafsanjani, had approved of the way [redacted] had proceeded heretofore. Notwithstanding, [redacted] has spoken of "eliminating" [redacted] sometime in the future.

Ghorbanifar appears to be harassed by his creditors, some of whom already have brought the problem to the attention of the DCI and Senators Leahy, Cranston, and Moynihan.

SECRET/SENSITIVE

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SECRET/SENSITIVE
UNCLASSIFIED

- Ghorbanifar claims to have secreted, for "insurance purposes", documentation of events which have transpired so far. I 0190

Given this, the major elements of this initiative are likely to be exposed soon unless remedial action is taken. There is no indication that the White House has a plan to prevent the exposure or a plan to deal with the potential exposure.

The Ghorbanifar [redacted]-hannel must be shut down in a way that contains potential damage to the United States.

When the initiative began, National Security Advisor MacFarlane wanted to establish a channel to factions within the Iranian Government with which the United States might eventually deal, and which might secure incidentally the release of the American hostages in Lebanon.

Israeli officials like David Kimche put the White House in contact with Ghorbanifar. [illegible] other Israeli officials had [illegible] interested, after like McFee, began to see Iranian officials including [redacted]. Ghorbanifar also established a direct link to [redacted] Prime Minister's Office. A series of meetings ensued with negotiations sometimes appearing highly positive, sometimes near-disastrous.

- One hostage was released in September, 1985, as a result of this channel.

- A breakdown ocurred in Geneva, in late November 1985, when the Iranians accused the other side of knowingly delivering the wrong version of Hawk missiles to Tehran -- an accusation we believe and for which we blame Nimrodi, if not Ghobanifar.

Progress appeared dramatic in May 1986 when a US delegation led by MacFarlane secretly visited Tehran. The results, however, were disappointing. The Iranians were not prepared to deal directly with so high level a delegation. Still, another hostage was released subsequently, in late July.

Another channel, potentially more promising, was just then opening up through private efforts by Albert Hakim and Dick Seccord. Through a London representative of the Iranian Government, [redacted] a meeting was held in late August in

UNCLASSIFIED

Brussels with [redacted] This, in turn, led to two meetings between the [redacted] and US officials, one meeting in Washington, the other in Frankfurt.

1 0191

Ghorbanifar's Alleged Financial Straits:

The Ghorbanifar-[redacted] channel is technically "on hold." Clearly, however, it is being supplanted by the Hakim-[redacted] channel -- a fact reportedly known by [redacted] and presumably by Ghorbanifar.

The arms transactions in which Ghorbanifar and [redacted] figure, require that Ghorbanifar provide the financing. The US required full payment in advance of any arms delivery while Tehran, previously burned by other would-be arms providers, demanded shipment before payment. Thus, it fell to middle-man Ghorbanifar to arrange the financing.

Ghorbanifar, working with Adnan Khashoggi, got some Canadian investors to lend $15 million to finance the shipment of HAWK spare parts to Iran. Khashoggi put up collateral to [illegible] The interest on the $15M [illegible] to pay a total of $18M. These financial arrangements were made at the end of August -- before MacFarlane's visit to Tehran.

Since the loan was agreed to, Ghorbanifar claims to have been paid only $8M. He agrees that he received $4M at the end of July follwing the release of Father Jenco. He claims, without proof, that only $3M can be applied to repayment of the loan, the other $1M being related to a separate transaction with [redacted] Ghorbanifar admits to receiving $5M two or three weeks later, but that no additional funds have been forthcoming.

- He states he has been able to repay about $8M to his creditors, including $6M to one financier -- of which $1M was interest.

- He states, too, that he paid other financiers $2M for interest charged.

Ghorbanifar asserts that he now has a $10-$11 million shortfall that he cannot meet. The creditors are becoming angry and have demanded additional interest because the principal is overdue. Ghorbanifar claims to be under tremendous pressure and feels financially discredited.

- Ghorbanifar's financial situation is murky, indeed. [redacted] has claimed that he paid Ghorbanifar an additional $8M in cash, an assertion that cannot be validated.

Regardless of who is cheating whom -- and we are not likely to be able to sort out these confused finances -- we face a situation where operational security has been forgotten and no one is prepared to deal with the issue.

I 0192

Rapprochment with Iran:

The [illegible] objective [illegible] t [illegible] factious government of Iran.

- [redacted] for example, has focussed on long-term [illegible] arms supply.

We have not yet developed a viable plan of action [illegible]

The Ghorbanifar-[redacted] Channel:

Ghorbanifar is depressed and claims his financial situation has been damaged. On several occasions, he has said he would not sit idly by and permit himself to be made the "fall guy" in this matter. He claims to have given written accounts of all that has transpired to several persons in America and Europe. He has directed these individuals to make this material available to the press in the event that "something bad" befalls him. We believe this account would include statements to the effect that:

- the Government of the United States sold military materiel to the Government of Iran in order to gain the release of American hostages in Lebanon;

- a high-ranking US delegation met in Tehran with representatives of the Iranian government in order to discuss the future relations between the two countries, with various cooperative ventures discussed;

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- the US Government made several promises to him (Ghorbanifar) that it failed to keep; and,

- the Government of the United States, along with the Government of Israel, acquired a substantial profit from these transactions, some of which profit was redistributed to other projects of the US and of Israel.

There is also likely to be material alleging poor judgement and shabby conduct by individuals of the US and Israeli governments.

1 0193

We face a disaster of major proportions in our efforts with Iran despite the apparent promise of the Hakim-[redacted] channel. Too many know too much, and exposure, at a minimum, would damage the new channel badly, perhaps fatally.

- Rafsanjani cannot permit himself to be seen as dealing directly with the "Great Satan"

- It is clear from [redacted]'s comments that he did not have total control over the Lebanese Shia holding the American hostages.

Because the risk of exposure is growing daily, the following actions are recommended:

(A) Establish a Senior-Level Planning Cell at the White House to focus on the potential for rapprochment with Iran, the appropriate channels to be used, and the separation of the tactical hostage issue from the long-term strategic objective.

This group could consist of two or three experts and should be headed by someone with the stature of a Henry Kissinger, a Hal Sauders, a Don Rumsfeld, or a Dick Helms.

The group should have access to all data concerning the ongoing initiative(s), including White House records [redacted]

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UNCLASSIFIED

(B) Develop Press Guidance in the Event of an Exposure. We have no coordinated press guidance on how to deal with the Iranian initiative should it be exposed publicly. Press guidance must be prepared now. At least one, possibly two major US journalists have bits and pieces of the hostage story and know that Ghorbanifar was involved in it.

- The Israelis have exposed some of this.
- Khashoggi and the Canadian financiers are complaining to influential US individuals.

[redacted]

1 0194

(C) Effect an Orderly, Damage-Limiting Shutdown of the Ghorbanifar [redacted] channel. It is unlikely we could totally discredit any revelations by Ghorbanifar; he has too much documentary evidence that implicates US officials.

- Perhaps we can engage Ghorbanifar otherwise in non-hostage-related projects -- say, in the area of Iranian, Libyan, and Syrian sponsored terrorist.

A small working group of those knowledgeable of the Ghorbanifar [redacted] channel should meet to consider how to cope with this problem. Clearly, there are some personal things that can be done for Ghorbanifar, for example

- Arrange permanent alien residency for his girl friend in California.
- Arrange for visas for his family so they can visit relations in the United States, and so his mother can obtain medical treatment here.

These steps will not alleviate Ghorbanifar's financial problems -- regardless of their merit -- but may dispose him more kindly to the US Government and lessen his inclination to expose the Iranian initiative.

UNCLASSIFIED

16 Oct 86

UNCLASSIFIED

WIE Staff Meeting
October 1986

I. C

Lebanon:

→ DCI

Allen Ex. #77
6/29/87 mas

I. Fred Fromark (Patricia
· K has obtaggi /
· In at the beginning
· Got K to read the
money
· K — pol + pr[redacted]merican

II. G — complaining
— poor supply of units problem

III. K has obtaggi — having trouble

Tel Aviv — EOB

→ Roy

A

Executive Registry 20011

Declassified/Released on 3 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

CIN 3995

UNCLASSIFIED

5069

17 Oct 86 1 of 4 pgs
Re: Iran-Contra 7

UNCLASSIFIED

The Director of Central Intelligence
Washington, D.C. 20505

Allen Ex #78
6/29/87 ma

17 October 1986

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

I 0198

FROM: Charles E. Allen
National Intelligence Officer for Counterterrorism

SUBJECT: Ghobanifar [redacted] Channel

1. My meeting yesterday with Roy M. Furmark, New York representative of Adnan Khashoggi, only served to underscore the serious concerns that I outlined to you in my memorandum of 14 October. Indisputedly, we must endeavor to effect an orderly, damage-limiting shutdown of the Ghobanifar [redacted] channel now before serious--perhaps irrevocable--damage is done to current initiatives to free American hostages in Lebanon and to establish links with moderate factions in the Iranian Government.

2. Furmark, in a brief conversation with me on 16 October, made the following points:

--He has known Ghobanifar since January 1985 and has detailed knowledge of the Ghobanifar [redacted] channel (although he never mentioned [redacted] by name).

--He has met with Ghobanifar many times and participated in discussions in the summer of 1985 on the need for rapprochement between the US and Iran. He acknowledged that rapprochement was not just a national security issue, but that he, Ghobanifar, Khashoggi, and others saw a potentially lucrative market if relations were reestablished between Tehran and Washington.

--The idea of providing Iran with military equipment in exchange for American hostages--seen as a way of commencing a dialogue with Iran--also originated in the summer of 1985 and he along with Ghobanifar, traveled to Tel Aviv in August 1985 where they met with a number of Israeli officials including Amiran Nir, Israeli Special Assistant to the Prime Minister for Combatting Terrorism. Subsequently, arms were delivered to Tehran in September 1985, a development that resulted in the release of Reverend Benjamin Weir.

5070

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CL BY [redacted]
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--After a number of false starts in late 1985 and early 1986, Khashoggi agreed to finance another arms transaction in May 1986, just prior to Bud MacFarlane's secret visit to Tehran. He borrowed money from a number of Canadian financiers. On the basis of a signature loan, he borrowed a total of $15 million at 20 percent, agreeing to repay principal and interest in 30 days. Everyone anticipated that the MacFarlane visit would result in resolution of the hostage crisis.

--Unfortunately, this did not occur, and only $8 million has been paid by the Iranians for the equipment received. Of this, $5 million has been used to pay back one creditor; the remaining $3 million has been used to cover expenses and for other matters. No profit has been realized, and Khashoggi owes the Canadians $10 million.

--The current financing was complicated by the fact that Iranian officials in the Prime Minister's Office complained about the price of the Hawk spare parts that were shipped, asserting that the cost was five or six times what should have been charged. Many of the delivered items, moreover, did not work or were for a different model of the Hawk missile system.

--Iranian officials, after having paid $8 million in cash, claim that no additional funds are owed to Ghobanifar or Khashoggi. The shipment of the Hawk spare parts to Tehran, however, resulted in the release of Father [illegible].

3. Furmark stated that the current situation has left Ghobanifar and Khashoggi with $10 million of indebtedness and no prospects for resolving the indebtedness. According to Furmark, Ghobanifar and, by virtue of his financial involvement in the scheme, Khashoggi, are being blamed by the Canadian creditors for this situation. The Canadian entrepreneurs, who have investments in oil, gold, mining, and real estate, reportedly are aggressive, tough-minded individuals who have influential contacts in Washington. They have told Khashoggi that unless some payment on the principal is forthcoming, they would begin to inform individuals like Senators Leahy, Moynihan, and Cranston around 15 October about this back-channel deal with Iran and how they have been swindled. Furmark, while stating that he was not authorized to provide the names of the Canadian investors, asserted that we should not underestimate the determination of the Canadians. He claimed they have a reputation for dealing roughly with those who do not meet their obligations. Khashoggi allegedly is trying to get them to extend the 15 October deadline, but was uncertain as to whether he would be successful in this effort.

4. Furmark stated that he spent two days last week in London talking to Ghobanifar. He stated that Ghobanifar is telling the truth about these transactions and insisted that the Iranian entrepreneur had not made any profit off this deal. He stated that Ghobanifar was in a "devastated" condition without any constructive ideas on how to pull himself out of his current financial morass. Khashoggi, who also has financial problems, is not in a position to repay the Canadian creditors. Furmark stated that he had worked for many years in the oil business and was a good judge of individuals who were attempting a swindle. In this case--regardless of other Ghobanifar business deals--he was convinced that the Iranian was essentially telling the truth.

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5. Furmark stated that everyone had agreed to keep this back-channel arrangement with Iran "highly secret" but that if the situation remained static, he is absolutely certain that the Canadians will talk and that the matter will eventually become public knowledge. He recommended that the US consider at least a partial shipment of additional arms to Iran in order to maintain some credibility with the Iranians in the Prime Minister's Office and to provide Ghobanifar with some capital so that the investors can be repaid partially and so that Ghobanifar can borrow money to finance additional shipments. This would keep the process rolling and could result in release of additional hostages. Furmark offered to meet with me in New York next week in order to report fully on his involvement in these transactions. 0200

6. Comment: B I find Furmark's detailed knowledge of the Ghobanifar [redacted] link deeply troubling. Regardless of who is at fault on the financing--and we know that Ghobanifar is not to be trusted—the exposure of these back-channel dealings will almost certainly have a crippling effect on the new channel that has now been opened between the United States and [redacted] The risk of exposure is growing daily, and I again believe that you must advise Admiral B Poindexter that a group be formed that is knowledgeable of the Ghobanifar [redacted] channel to consider how to cope with this burgeoning problem. If this is not done immediately, I predict an exposure of this activity in the near future. At a minimum, we need to find ways to stave off disclosure for 60-90 days while we work the [redacted] channel tactically to get our hostages released. Furmark showed no indication that he was aware of the new channel, but we know Ghobanifar is aware.

Charles E. Allen

UNCLASSIFIED

22 Oct 86

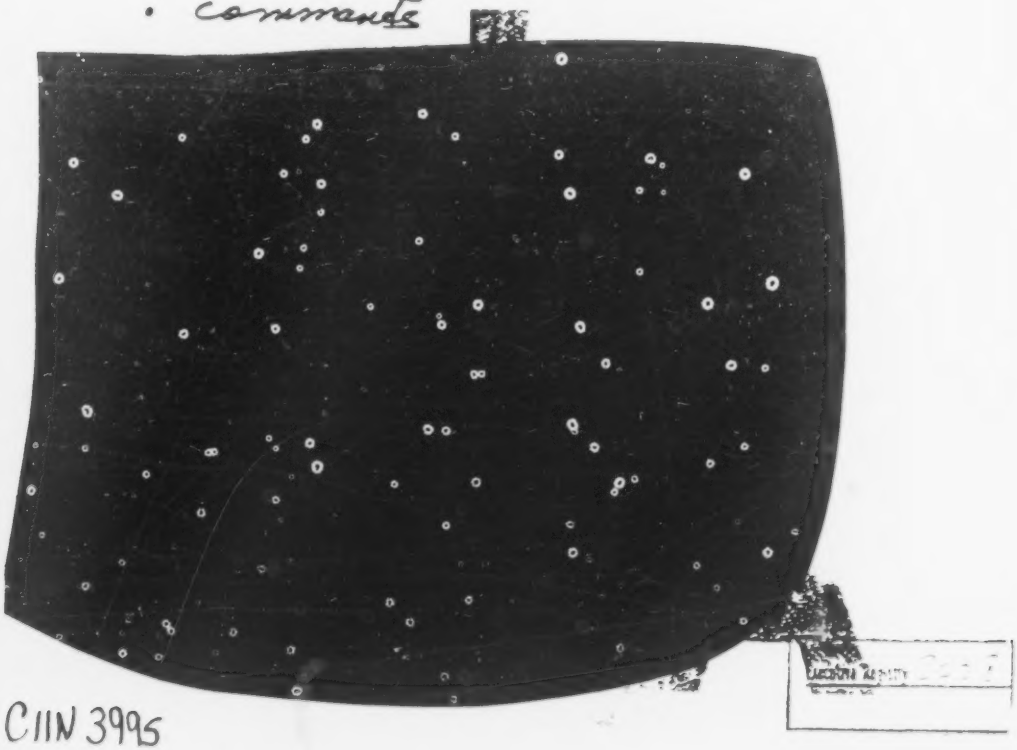
UNCLASSIFIED

Allen Ex #79
4/29/87 mcv

TO: (22 Oct 86)

DCI Casey

I. Fu-mark
- Trustworthy
- commands



C11N 3995

Partially Declassified Released on 31 DEC 88
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by K. Johnson, National Security Council

UNCLASSIFIED

5071

UNCLASSIFIED

NC Date
Allen Ex #80
4/29/87 mao

Ray M. Furmark
[illegible] York
DOB [illegible]/28/31

I. ne[illegible] Hamburg. Jan 85
em[illegible] Iranian crude
oil ex Hamburg
· Ref. of Ayatollah
K business (allegedly)
· can check
· met Ltd of trading co
in Hamburg

II. Ray – met [illegible] many
times lunches + dinners
Iranian food, planning
· Sen. from Hamburg; where
is Iran going
· Bring countries together
– good reasons, incl
business

III. Looked for ways to begin
· hostages – came up

CIIN 4047

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5072

[redacted] Declassified/Released on 3 FEB 88
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by K. Johnson, National Security Council

UNCLASSIFIED

- help in getting credit
- [redacted] – believes him honest, never caught in lie
- waited 18 months on this sit

II. Dean
- insisted on financing
- Adnan arranged this
- G. [redacted] hard; spent money has not made any
- release of [redacted] cost him money everyone wants a bribe
- Believes G is telling truth
- delay in 2nd transaction has been
- $15M or. 15 MAY put up
- $8M: only paid back

CIA

CIIN 4047

[redacted] 18277

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$5 M - payment on principal
$ - expenses, profit (lost)
10 - cents
- [redacted] - signal name
II. [redacted] - Tel Aviv Aug 85
- [redacted] bomb
- Peres cabinet
- got things going
- hosting Ghorba;
- Ray + Ghorba there
- beginning of program
- test water;
- get hostages out, other vols.
- many Iranians against
  - convinced pres. to do this

III. Ghorba
- $ 8 M - total payment
- Thurs + Friday in London with Ghorba
- G. - not doing this for money; longer-term prob. seen
- G. - gone to Iran 6 or 7 times

[redacted]

CIIN 4047

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- G - nice + day co hard
- $ [illegible] deal
- [illegible] - put up
- [illegible] $ 3M (profit + expenses)
- [illegible] problem - checker
- [illegible] price co-b
- [illegible] what was cost
- Del. items that didn't work; different generation
- Paid $ 8M [illegible]; have pieces; let [illegible] one hostage go
  - -- equipment only worth $ 3-4 M
  - -- G. - being blamed; advised Iranians; Creator of project
- Trusts G.
- G. - demoralized; AK -- bad situation
- Adnan - want money; gain

CIA

CIIN 4047

Executive Registry 18279

UNCLASSIFIED

UNCLASSIFIED

to wash;

- [redacted] will talk to Swanston, Maythorn, &
- [redacted] Ray said — buy more

— talk to creditors

Creditors dewalued $

-- lost $5M (creditors)

- No documentation
- Canadians feel swindled
- Creditors - 15 [redacted] deadline

VII Ray

- kept this agreement highly secret

VIII

- wanted to tell everyone this is getting dangerous
- If sit remains static, financiers will talk
  -- Adnan -- unless he returns money
  -- funds loaned on 30 day basis

CIIN 4047

Executive Registry 18280

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- 1 July
- [redacted] was a gal
- D[redacted]ved [redacted]uip
- [redacted]release another
- S[redacted]mented release of [redacted] agreed to

VIII. Iranians don't believe
- PM Office discredited (officers)
- G - did extremely difficult thing; now Iranians will say you can't trust Americans
- NO finishing the [redacted]ipment has caused a [redacted]aster
- Sol.: send a partial shipment now to keep credibility
- G - no comms; believes no one cares
- Partial shipment needed / send ½ shipment
- More material; G can more money; pay investors;

C11N 4047

Executive Registry
18281

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no wild west, oil, gold mining + real estate in Residential, famous people one partner in Wash. paid in full

Wash Park

Nimrodi - no involved

Executive Registry 18282

CIIN 4047

UNCLASSIFIED

UNCLASSIFIED

Allen Ex # 81
6/29/87 mae

C

Roy M. 22 October

The Roosevelt
MADISON AVENUE

2 invoices (15 May 86)
$5m – 1 Arab investor
$10m – Canadian investors
– 15 May – $15M put up for Ghorbanifar
– GOI initiative
– Sept 85 – 1st transaction
-- $5M (Aug/Sept)
– Tel Aviv – Accra (Ray went there with Ghorbanifar)
– Frankfurt
– Stayed Tel Aviv Shamrock
– many meetings prior to that in London + Paris
– Peres staff involved
• Schlesinger
• Col. Nimrodi
there in Tel Aviv

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Executive Registry 18366

C11N 4048

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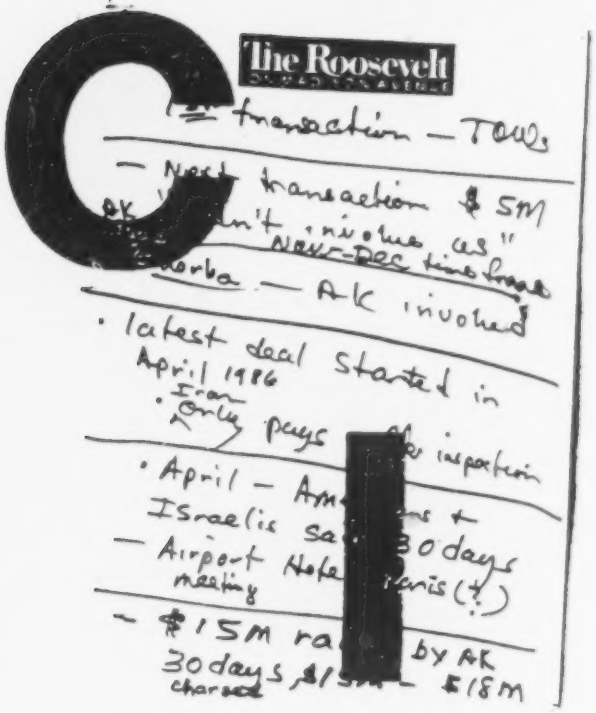

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CIIN 4049

Executive Registry 18367

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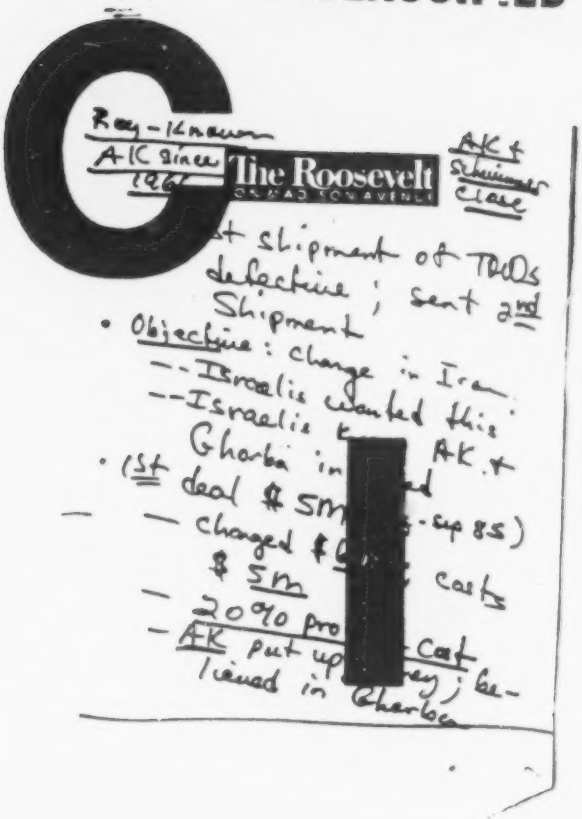

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Executive Registry 18368

CIIN 4050

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt
ON MADISON AVENUE

Nir[illegible]; stayed at Nimrodi's house
— Had to get US Govt approval (decided Hi was needed)
— Schwimmer went to Wash. to get approv[illegible]
-- Schwimmer [illegible] in Wash: No-H[illegible] (2) someone
— Ghorba - made [illegible] trips to Wash.
-- 2 objects
-- Whereabouts and [illegible] dialogue with Iran
— Ghorba — rep. P[illegible]'s line
— 1st flight to [illegible]
— Plane urgent
-- TOWS - in 1st shipment

A

CIIN 4051

[illegible] 18369

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt
[redacted] WASHINGTON AVENUE

- Hashemi said he would deliver hostages if indictment lifted
- Aug 85 - AK parted with Hashemi I had been part[redacted] in counter-trade + [redacted]pillar deal.

- Hashemi [redacted] new Partner
  - Sam Evans - lawyer
  - H. owes $200K to Roy
- Hashemi became greedy; wanted to get rid of AK + Roy
- Ghorbanifar - became close to him (AK + Roy)

A

CIIN 4052

Executive Registry 18370

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt

Ghorba — believed $15m to Nicaragua; relieved when $100m passed by Congress

Ghorba — Hashemi Ghorba knows Cyrus

Roy $7B counter agreement with Iran — Apr 85
— G. had arranged
— Roy in London with Hashemi
— Hashemi had indictment over head / on his mind

A

Executive Registry 18371

CIIN 4053

UNCLASSIFIED

UNCLASSIFIED

C

[redacted]-would not welcome Hashemi Calls

The Roosevelt
45 MADISON AVENUE

—Ghorba would have nothing to do with Hashemi

- Sam Evans-lawyer; got sucked in by Hashemi; good lawyer same kind;
- Hashemi orchestrated sting to get out [redacted] dictment
  - clear Name/[redacted] Hashemi to
  - Reza (brother) in D[redacted] Prison
- Cyrus — took [redacted] for $6M
  - gambler; [redacted] casino;
  - tricked Guido [redacted] Customs
- Ghorba: not involved in sting in Apr 86
- Hashemi set up Israelis & Sam Evans
- Ghorba — talked Ali to put up $15M — Charged $ 18M

A

Exhibit Register 18372

CIIN 4054

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt
CM MADISON AVENUE

- [illegible]n – supplied by Israel
- supplying
Ghorba – received $3M
then $5M from
Iran
- 7% of del. in
the sh[illegible]nt / nuts +
bolts [illegible] valuable
- Iranians as[illegible] or pricing
on goods
-- Ghorba [illegible]d.
-- Iranians [illegible] round out
materials [illegible] 6 times
cost of [illegible]
-- PM offic[illegible]
individual Ghorba
dealing with

A

Executive Registry 18373

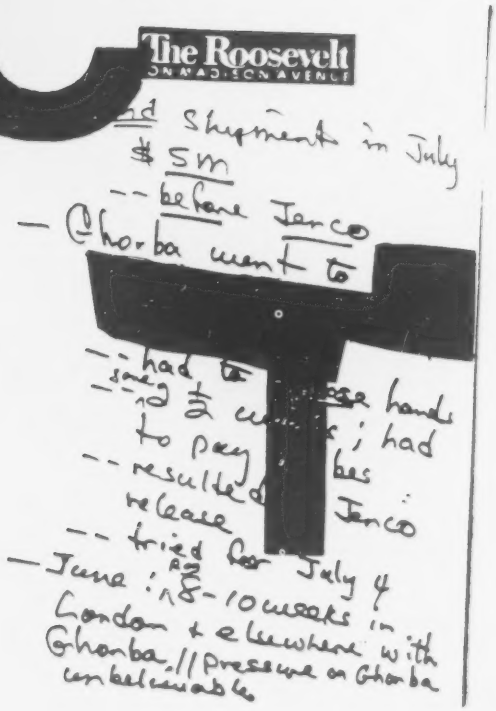
CIIN 4055

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt
ON MADISON AVENUE



A

Executive Registry 18374

C11N 4056

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt
ON MADISON AVENUE

Ghorba - went end of June to [redacted] to get Jenco out -- tried to get Jenco out when O'Connor was there
• Ghorba believes cost $15M
• Not making $. because G. has not [redacted]; call to PM's Office [redacted] one of your people
-- really hurt [redacted] paid in May (money transferred is army)
-- went to Lake side to Credit Suisse -- money
• Ghorba - just out of hospital nerves bad

A

Executive Registry 18375

CIIN 4057

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt
MADISON AVENUE

Fer[illegible] actions against Bill
[illegible]ians (Ray told [illegible])
[illegible]anians planning Kid-
napings
• AK – Condition – no more Icid-
naping
• Chorba – not misleading AK or Roy
– has not received [illegible]/Mobil
– waited for calls [illegible]
& Beirut [illegible] Damascus
[illegible]s (Roy)
• Paid $ & M
– 69 defective
– 100 missing
– wrong [illegible]
• Iranians (Roy's concept)
– G. is Agency
– released 2 boxes
– received Bud + delegation

A

18376

C11N 4058

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt
ON MADISON AVENUE

- cheated; must show they are tough
- heard Iranians say they are going against Americans -- more than just [redacted] ages
- G. - Sa[redacted]DM's Office say he has set[redacted] up
- Picked up [redacted] 2 (Read + Cicippio)
-- not us[redacted] work on oth[redacted]
- G - spent $1.5M of own money; ruined health
-- Goode: An American official

A

Executive Registry 18377

CIIN 4059

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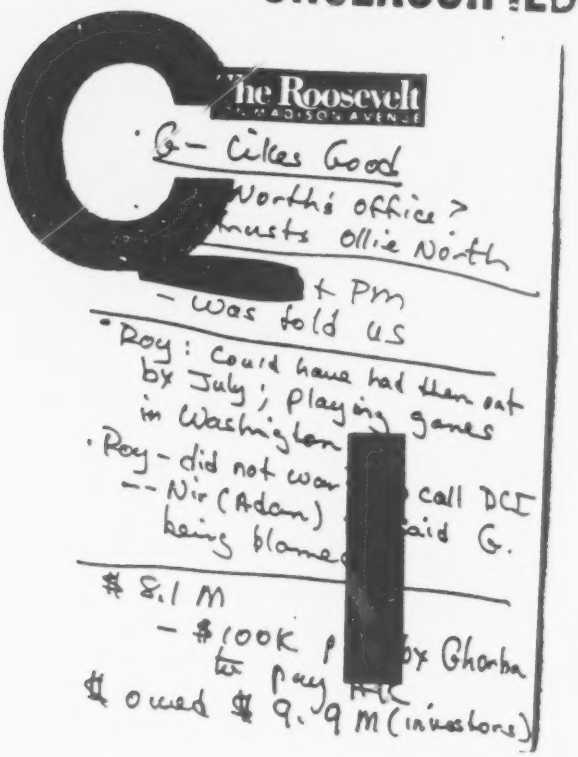

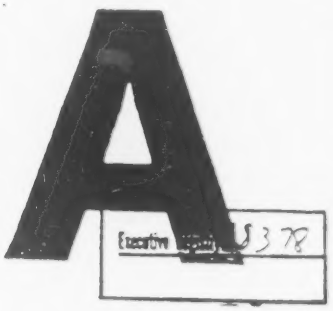

CIIN 4060

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C

The Roosevelt
ON MADISON AVENUE

investor paid off
$5M (happy)
$9.9M due - AK owes
Roy — why? Simple transaction
Roy — why the delay?

- Solution to [redacted] problem
  - 2 shipments [redacted] Tows
  - 500 Tows [redacted] Zebra
  - 500 Tows [redacted] Zebra
  - different [redacted] + owner pricing

- AK — Roy said he was meeting with Bill
  AK instruction: buy time until this is sorted out

A

Executive Registry 18379

CIIN 4061

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt
MADISON AVENUE

[redacted] had Canadians fly
[redacted] Europe (last few days)
- AK in N.Y. on Sunday
then L. A.
- back N.Y. on Wed.
- Ray - Canadians won't force
anything (told [redacted])
- $9.9 M --
- Put in $10 [redacted] interest
to- $11 m [redacted] check
$1.1 M [redacted] G.;
- $5 - $6 m
$10 - $11 m
$1 m to AK

A

Executive Registry 18380

CIIN 4062

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt
ON MADISON AVENUE

- what [redacted] should do
- G - worked for US months for US
- AK - pro-US
- Roy - has business rels. with G [redacted]
- Ghorbal: got [redacted] zebras out
- Deliver on [redacted] tract (Roy)
  - deliver w[redacted] yet outs[redacted]
  - G. could get another $5m out of Iran
  - would lack $4m but would take pressure off

A

CIIN 4063

Executive Registry 18381

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt

- Lakeside (off-Channel company)
- Canadians: believe money stolen; that they have been [redacted]
  - $1.1M [redacted] to Canad[redacted]
  - hunting A[redacted] badly
  - Roy - propos[redacted] going to Calgary some time ago
  - AK - obsessed with debt to Canadians
- Ghorbar: got last payment in July (?)

A

CIN 4064

Executive Registry 1838 2

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt
ONWARD TO A VERY BIG

– banking arrangements in Switzerland screwed up
– health bad -- hospital 3 days
– out of hospital;
– bleeding ulcer
• G – saw [redacted] half in 3 days & Libya bombing
Province Sul[redacted] – A-K has good to[redacted] with him
– $9.9M at issue
– leak with OCCUR
– McFarlane, Poindexter & North – knew everything

A

CIIN 4065

Executive Registry 18393

UNCLASSIFIED

UNCLASSIFIED

C

The Roosevelt

— [redacted] ledoun - Roy met
nce or twice
Cost would not be
good, esp. for things
"South of the border"
— Ask, Roy, Charles
— wants to help Wash.
— Money to be made
later when
rebuilt
— old hostage
-- must resolve; Iranians
agree
-- new hostages -- new bail-
some

A

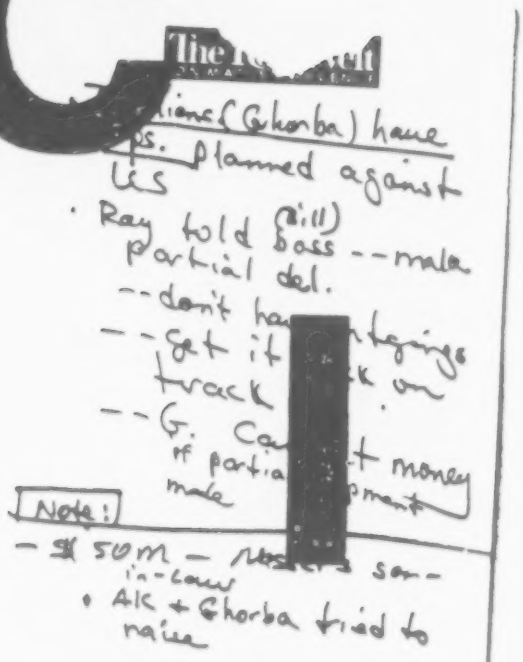
CIIN 4066

Executive Registry 18384

UNCLASSIFIED

UNCLASSIFIED

C



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CIIN 4067

Executive Registry 18385

UNCLASSIFIED

C 09534

UNCLASSIFIED

C

The Roosevelt

April stings

• Money expended ?
• next date

I

A

Executive Registry 8386

CIIN 4068

UNCLASSIFIED

Allen's testimony dates this 86-10-24

UNCLASSIFIED

The Director of Central Intelligence

Washington, D.C. 20505

-2 Oct 86
86-4068/403

Allen Ex. #82
4/29/87 mao

MEMORANDUM FOR: Vice Admiral John M. Poindexter, USN
Assistant to the President for
National Security Affairs

SUBJECT: Roy Furmark's Comments on the Hostage Situation

I 0195

1. Charles Allen and George Cave went to New York on 22 October 1986 to meet with Roy Furmark. This was an extremely interesting meeting in that it revealed that the financial backers of Ghobanifar have been aware of the operation since its inception and may actually have played a key role in getting it moving, possibly for altruistic reasons, but almost certainly for their own profit. Roy himself admitted several times during the evening that profit was certainly a motive but that the group did see their efforts as leading towards stability in the region and the release of the hostages. Roy appeared to be very open during the course of the evening and everything he told us tracked with what we know. The only doubtful answer he gave was in reply to a question as to whether some of the principals were involved in the sting operation. Roy said that none of the principals were involved, however, one of the players, lawyer Samuel Evans, was the major indictee and is free on $4.5 million bond. Roy claims that Evans owes him $200,000.

2. Khashoggi has been involved in this from the beginning as Ghobanifar's financier. Everything started in January 1985 with a meeting in Europe, Frankfurt apparently, involving Ghobanifar, Khashoggi, Roy, and others. This was followed up by subsequent meetings in Paris and London. These meetings culminated in a meeting in August 1985 in Tel Aviv. Roy went to Tel Aviv with Ghobanifar and while there they stayed with Nimrodi in his house. During the course of these meetings, Roy met Amiran Nir. At this meeting it was decided that it was necessary to get Washington's approval for the overall plan. There were two basic objectives; one, get release of the hostages, and two open up a dialogue with Iran. Schimmer was sent to Washington to obtain this approval. Roy is uncertain as to whether he discussed this with North or MacFarlane in Washington. Ghobanifar also made a total of four trips to Washington. Ghobanifar represents the line held by the Prime Minister which Roy describes as "Moderate." (We did not tell him that the Prime Minister could not be considered as Moderate.) By way of personal relationships, Roy

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K. Johnson, National Security Council

TS 3536-86
Copy 1 of 2

5074

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DECL OADR FM SISR VOL I

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said that he has known Khashoggi since 1966 and trusted him. Roy added that Schimmer and Khashoggi are close. Roy thinks this points up Khashoggi's breadth of vision. Roy pointed out that Schimmer had actually returned from a visit to China to make the August meeting.

3. The first transaction was in September 1985 and was for 500 TOWs. The cost of the TOWs was $5 million. Khashoggi put up the money because he believes in Ghobanifar. The cost to Iran was $6 million. This allowed for $1 million to cover profit and expenses. The first shipment of TOWs was defective, so a second shipment was sent. There was a subsequent $5 million deal that went off in the November-December timeframe. Khashoggi told Roy that they were not involved, but Roy is certain that this was a Khashoggi/Ghobanifar organized deal. 0196

4. Roy said that prior to the next deal, there was a meeting in the Paris airport hotel; he forgets or never knew exactly who was involved in this meeting. The meeting concerned Hawk spare parts. The deal for the Hawk spare parts began to be put together in April 1986. Khashoggi raised $15 million to cover the deal $5 million from an Arab financier, and $10 million from two Canadians. Khashoggi raised the money on 15 May. A group of Americans went to Tehran and took with them seven percent of the Hawk spare parts which consisted mainly of nuts and bolts. With regard to this deal, the financiers, Ghobanifar, and Nir met and agreed that $3 million would be added to the price to cover profit and expenses and also another $2 million would be added to cover monies owed to Nir. The price to the Iranians would then be $20 million. (Why did Ghobanifar charge $24.5 million and with Nir's knowledge?) Neither Roy nor the financiers apparently know anything about the raise in the price by Ghobanifar, although they are aware that the Iranians objected strenuously to the price. Ghobanifar told Roy and Khashoggi that he believed the bulk of the original $15 million price tag was earmarked for Central America. In this regard, Ghobanifar told Roy that he was relieved when the $100 million aid to the Contras was passed by Congress.

5. The above requires clarification. In Tehran, Ghobanifar took Cave aside and told him that the Iranians would be questioning him about the price of the Hawk spare parts. Ghobanifar told Cave to insist that the price of $24 million old dollars is correct. When asked about the huge jack up in price, Nir gave a long circumlocution on why the price of over $24 million was correct. We were so concerned about this that we considered telling Ghobanifar exactly how much he could charge on any subsequent deals. From Roy's comments, it is clear that the 20 percent interest Ghobanifar told us about is in fact the gross profit margin agreed upon.

6. Roy said that Ghobanifar told them that he received two payments, one for $3 million and the other for $5 million. As originally agreed upon, the Arab investor was supposed to get back $6 million for his cut and the Canadians would get back $11 million. The other $1 million was to go to Khashoggi. Ghobanifar's cut was to come out of the $1 million. To the $8 million that Ghobanifar received, he added $100,000 of his own funds. The Arab investor was paid off ($5 million). The two Canadians received $1.1 million. Roy was not sure but presumably the $2 million went to Nir.

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0197

Originally, the Canadians were given a check by Khashoggi in the amount of $11 million to cover the $10 million they provided Khashoggi. The monies to cover the Hawk shipment were paid into an account of a company called Lakeside which is an off-channel company. The Canadians believe that the money was stolen and this is giving Khashoggi heartburn. (Note: This does not square with what we know. We know that Ghobanifar received $4 million from the Iranians in July. He also received $8 million into his Swiss bank account on 21 August. These two payments were cash. He may also have received a check for $6 million in between these two payments. The Iranians raised a big stink about the price of the Hawk spare parts and Ghobanifar offered them a $6 million deduction. According to [redacted] the $8 million payment on 21 August squared their accounts with Ghobanifar by mutual agreement. In fact, according to [redacted] $7 million covered the remainder of the deal, the other million was to help Ghobanifar finance the next deal.)

7. Roy's suggested solution to the problem is to let Ghobanifar handle the shipment of the remainder of the Hawk spare parts. Proceeds from this deal would allow them to ease the Canadian pressure. Then it would be 500 TOWs for one hostage and another 500 TOWs for a second hostage.

Sincerely,

Willian J. Casey

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6 NOV 86

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Roy Furmark
NOV 86

I. [redacted] ment is made,
Can[redacted] retaining law
[redacted] that handled
[redacted] signaling Pres.
[redacted]
· [redacted] Roy until
Monday or will file
suit
· Last $6M told AK
· AK against the wall
– Monaco tonight
– AK helpless
· No certain against whom
case

Hilken Ex. #83
6/29/87 MDD

II. Chorba – out of [redacted]
· AS dealing direct; cannot
affect the operation
· weakened man physically
& mentally
· Canadians determined
→ · Chorba – wanting; $2–3001(
· AK – has not made money
· Chorba out of it; wants
success for Americans

CIIN 3990

Executive Registry 9952

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by K. Johnson, National Security Council

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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III. Why was G. cut out?
- AK + Pay do not stand; good business man
- Greenest hand;
- Dhorba always on go
- Bat U's to stage; need good speakers
- Concerned during direct how to get started again

IV. Canadians
- $10M total
- Dhorba put up $100K cash money
- Pay $10M in G's account
  - Credit Suisse
  - Main Br. Geneva
  - Salatsh (tanker)
- Why to Dhorba's acct.?
  - When money went to Lakeside, give Cheeks to investors $ G in (Aug) + to $11M Canadians
  - $1M - AK (paid)
  - Checks
  - $1.1M to Canadians

[redacted]

Freedom of Info/PA 1995 3

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$9.9M + $100K

- [redacted]'s acct blocked
- [redacted] – sends automatically pays Canadian (Bank of Montreal)
- [redacted] a/k/a D. & acct in Geneva
- [redacted] $5M went into another acct. – used to pay Arab $5M – [redacted]
- [redacted] – agreement [redacted] to pay off Arab [redacted]st
- Investors [redacted] C's checks
- Iran – [redacted] paid money to someone [redacted] to get Iacabaen

II. L. A. Times – knew 3/4 weeks ago

VI. Canadians
- suing suit against Lakeside – paid money directly to L. $10M, not to C.
- will say it is US Boat Company

[redacted]

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. Nothing will be done
[redacted] next Fri —
Ray All may see
Canadians —
Believe Lakeside paid
[redacted] of money by
[redacted] to effect J.
Release

II. Ray thought DCI could
clean up by early Nov
. told DCI Iran ready to
deliver boat by

V Ghorba — new [redacted] client: angry
bitter, health impaired.
. [redacted] doesn't understand Iran

VI. Douglas Fras[redacted] — Cayman Is.
Ed Miller — Toronto
Swamii in Calif.
— Knows Congressmen
— Sultan of Brunei
— lives in L. A.
. AK controls Miller & Fras[redacted]
the Swamii
: Canadians have AK and
barrell
. G. — told Canadians [redacted]
last week

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• Price — G
• Canadians - will publicize as [illegible] bring suit US Court. Sale will be approved
• Paid money to Lateside Canadian will claim it is US proprietary
• Saccard involved: in handling financing for North
— duplication of Nicaraguan issue
— North-Sec[illegible] connection
• Canadians behaque effort sanctioned by US Govt
• Canadians: just want money $10M
— tight financial sit
— AK in tight financial sit
⇒ Miller — Toronto; real sleazy Corrupt
• Fraser — offshore operator
• Fraser / Miller: believe money paid
— Gherbaz not now involved
— dealing direct
• G. — not involved in Jacobo[illegible] money would have been in

Executive Registry 199[illegible]

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- Partial shipments needed
- [redacted] related
- [redacted] real estate ideas; Canadian

VII. G. – has restrained attacks against US powerful people [redacted] Iran smart; respected (G's)

- G – started idea; Ray partner brought in AK
- G. – family in US; would not let mother into US; sister having [redacted] in Wash. DC.

VIII. Will bring s[redacted] in Washington (Prob.)

IX. Congress

- Will cut Swami
- Canadians smart + cunning

X. AK – affected emotionally by situation
– had courage to do this
– prepaid $ 75 00 right

XI Canadians [redacted] money explained off by gaff for reception Continues

[redacted]

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XII. Canadians - met with G - in Europe re Con- [illegible] deal [illegible] Canadians [illegible] mar- [illegible] 30 days [illegible] months on Monday [illegible] not paid

XIII. Have until noon Monday

XIV. G. [illegible] - has spent $2M (arm funds) - 18 months [illegible] sales

Ray - has bought [illegible] time until 17 Nov - Canadians [illegible]

- Canadians called after J.. release, asked G for payment; G said he could not because "deal deal"

- Dis checks AK's & a credit

- July - 2 hostages to be released

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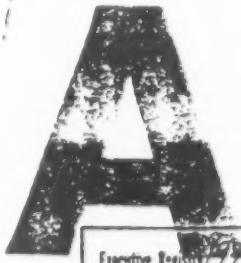
- someone screened eg & [redacted] or it would have been resolved in July
- Each [redacted] liaison through [redacted] process
- mandate & your loss, it suits [redacted] agenda
- D. - knows everyone, get talent
  - if US fails, no one can pick up
  - no one can [redacted] for US
  - hi-level contacts in Iran
- G did time in Iran, likes US, wanted business
- Iranians want to [redacted]
- 2nd class citizen



Executive Registry 79-59

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DCI around 16 Oct

- Furmark — wanted for clients of

Def

- Sl[redacted] clients
- [redacted] — produced
- Slah[redacted] — had career

[redacted]

- Iran can't fight war w/o money for oil
- Reagan should call [redacted]
- [redacted] checks out; OK
- Pres. calls [redacted]
- Refined dip: offered Syrians / [redacted] big econ offer
  - -- Sep 85
  - -- Slahone in hospital working prob
- Furmark - business for himself
  - wife stroke
  - works for Khashoggi
  - troubled; Mac Farlane; Israelis
  - PM Office (Tehran)
  - Ghorba - thinks he has high motives
  - Furmark - get Ghorba & Khashoggi together

A

Executive Registry 19967

CIIN 3490

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-financial deal gone sour; worried over exposure

- go[redacted]

smart, direct individual

good reputation

- N[redacted]

--[redacted]:

- swindled -- April sting

-FURMARK:

Sandanista troops: almost permanent presence on Honduran soil

[redacted]

Executive Registry 19968

CIIN 3990

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2 PAGES =

C-09436 AND C-09437

DENIED IN

TOTAL

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[redacted]

F. NIR – Ollie

- Logistics progress: parts; TOWs no problem; TOWs one a problem for Peres
- 500 TOWs -- [redacted] ones sent to Israel will be sent to Iran; send 500 new ones to Israel
- 6 new ones that were broken; ALC -- do not know the answer
- Ami - get as many items shipped as possible
- Ollie - have not given figures
- One part, plus broken ones -- spares no available were to be

[redacted]

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- [redacted] hours out of mid-
- [redacted] 5 working days; money deposited
- 500 TOWs; collection of parts, of cost
- Largest part is TOWs
- Ballpark figure $3.5M for Shipment/cushion
- Card is done: explains not price list; [redacted] — Battle Creek Michigan on mailing list
- Logistics: how [redacted] off are we; -- Pointdexter on happy
- Rizzo — letter

Bob Tomlin, SOO;
* 993-4966 (bogus number)
* 628-4800 Complete Business Services

[redacted]

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Executive Registry 19978

7 NOV 86

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Allen Ex #84
6/29/87 mac

7 November 1986

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Charles E. Allen
National Intelligence Officer for Counterterrorism

SUBJECT: Meeting with Roy M. Furmark

1. Roy M. Furmark, head of Adnan Khashoggi's New York operations, called on 5 November 1986 to request an urgent meeting with me in Washington. I met with Roy on the afternoon of 6 November at the Key Bridge Marriott Hotel. He provided further information on the fallout that is occurring with the shutdown of the Ghobanifar [redacted] channel. The following are highlights of the conversation with Roy:

a. The Canadian investors who put up $11 million to finance the arms transactions with Iran have retained a Washington law firm to bring suit against Khashoggi and the offshore company Lakeside, the firm into which they paid the $11 million to cover the cost of Hawk missile parts. The Canadians told Roy that they would bring suit against Khashoggi and Lakeside on Monday, 10 November, and that they intended to implicate in the ligitation directly senior levels of the US Government. Roy claimed, however, that the Canadians had agreed--at his request--to withhold filing the suit until 17 November.

b. After the release of Jacobson, the Canadians began to press Ghobanifar and Khashoggi for repayment of the money owed. Ghobanifar told the Canadians that the latest transaction did not involve him in any way and that the United States was "dealing direct" with the Iranian Government.

c. The Canadians tend to believe Ghobanifar because [redacted] their lawyers block Ghobanifar's account in Credit Suisse if funds had been transferred into Ghobanifar's account in repayment [redacted] to Iran, Credit Suisse would have automatically transferred [redacted] to the Canadians' account in the Bank of Montreal.

CIN 3975

TS 3538-86
Copy 1 of 6

Executive Registry 19795

CL BY [redacted]
DECL OADR FM SISR VOL I

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5076

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under provisions of E.O 12356
by K. Johnson, National Security Council

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d[illegible]adians are extremely angry, they are pressing Khashoggi har[illegible]elieve that the Iranian Government has paid money to so[illegible]of additional arms having been sent to Iran. They [illegible]hat Jacob[illegible] release could only have resulted from another arms [illegible]ction with Iran.

e. The Canadians involved are Douglas Fraser, a financier who [illegible]es out of the Cayman Islands, and Ed Miller, who operates out of [illegible] and Van[illegible]. The third individual involved in the investment e[illegible]s a swami [illegible]by could not remember his name) who lives in Los Ang[illegible]. The swami knows a number of prominent Congressmen (Cran[illegible]as mentioned) and even advises the Sultan of Brunei. The swami has counseled Fraser and Miller to be patient, but the two Canadians are now determined to recover their money.

f. The Canadians intend to expose fully the US Government's role in the backchannel arms transactions with Iran. They believe Lakeside to be a proprietary of the US Government; they know that former Major General Richard Seccord is heavily involved in managing the arms transactions to Iran for Oliver L. North, and that Seccord is also involved in assisting North in the support the Contras [illegible]caragua.

g. When the Canadians origin[illegible]ut up the money after negotiations with Khashoggi and Ghobanifar, th[illegible]ieved the effort was formally sanctioned by the US Government. [illegible]are not concerned about the politics of the US-Iranian equati[illegible]ey simply want repayment of $10 million. Miller, a tough and sle[illegible]dividual, is especially determined to get his money back.

h. In addition to bringing su[illegible]ainst Lakeside and Khashoggi and exposing US Government involvemen[illegible]he arms transactions, the Canadians intend to use the swami to lobby key Congressmen. The Canadians believe that they have been swindled and that the money paid by Iran for the arms may have been siphoned off to support the Contras in Nicaragua. The Canadians originally expected to be repaid in thirty days; it has now been six months and they have received only $1.1 million.

i. While Ghobanifar managed the channel to Tehran, he coordinated his initiatives in a variety of ways with all significant factions in Iran. Clearly, whoever is running the new channel has failed to d[illegible]a devastating mistake.

2. Roy stated that he would endeavor to identify the law[illegible]the Canadians have retained and would call me on 7 November. It[illegible]hi[illegible] understanding that the law firm in question at one time had[illegible]ed [illegible]e involving President Nixon. The Canadians have told Khashoo[illegible]at th[illegible]ve already lost $6 million as a result of their ill-fated inv[illegible] part, Khashoggi is demoralized and is unable to correct th[illegible] his own financial difficulties. Ghobanifar, according to[illegible] has spe[illegible]ge sums of his own personal fortune over the past 18 months[illegible]his effort[illegible] described Ghobanifar as an excellent broker with extraordinarily high-level contacts in Western Europe, the Middle East, and Iran. Ghobanifar, however, is angry and bitter and his health is now impaired.

CIIN 3975

Executive Registry 19796

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3. Roy [illegible] specific suggestions on how to solve the financial problem [illegible] somehow $10 million should be paid into Ghobanifar's account [illegible] (Account Number 283838-92-1). Because Ghobanifar's account [illegible] Credit Su[illegible]s totally blocked, the money would simply be tran[illegible]d to the Canadians. All the Canadians have are checks from Ghob[illegible] and Khashoggi--checks that are worthless. Roy reaffirmed that Ghob[illegible] and Khashoggi have been able to pay off the other investor--an Arab who p[illegible] $5 millio[illegible] Roy stated that he and Khashoggi may see the Canadians in Eu[illegible] the nea[illegible]re to request more time, but they were not sanguine that a[illegible] [illegible]ft from such a meeting.

4. The [illegible]s have told Roy that they had kept their word keeping these transactions totally secret, but now felt no compunction to do so in the future in view of media exposure of the MacFarlane trip. Roy stated that he personally felt responsible for persuading Khashoggi to help finance these transactions. The effort had taken considerable courage both on the part of both Ghobanifar and Khashoggi. In Roy's opinion if the transactions had proceeded as planned in July 1986, the hostage issue would have been resolved by now. The apparent switching to another channel by the United States in dealing with the Iranian Government, h[illegible], had destroyed this process. The current publicity about these transacti[illegible]robably has foreclosed any near-term hope of obtaining Iran's sup[illegible]n securing the release of additional hostages. The damage that [illegible] occur from the legal efforts of the Canadians is potentially significan[illegible]pecially because the Canadians are aware of all of the transactions that h[illegible]ccurred over the past 14 to 15 months.

6. I conclude from Roy's statement[illegible]t:

a. Furmark is personally troub[illegible] having persuaded Adnan to put up capital for a venture that has now [illegible]sour.

b. His approach to the US Government appears to be a last-ditch effort to try to pressure the government to take some action, for example, ensuring another shipment of arms through Ghobanifar.

c. Some very nasty allegations against the US Government and key officials will be made if the Canadians bring civil suit, although much of what they know is speculation and cannot be proven.

d. The fallout from any litigation by the Canadians may[illegible]oo significant, especially since the press already have major [illegible]the back channel effort with Iran.

e. When dealing with Iran, every faction--to some exte[illegible]-mus[illegible] taken into account. The fact that Ghobanifar kept Ayatol[illegible] fully informed on his initiatives with the United States [illegible] radicals around Montazeri have decided to use the MacFa[illegible] contacts by Iranians with the United States as a way to[illegible]ck Rafsanjani's moderate faction. Ghobanifar, bitter and[illegible], may have actually encouraged radical elements to expose those contacts, although the arrest of Mehdi Hashemi probably finally triggered the action by the radicals.

Executive Registry 19797

CIN 3995

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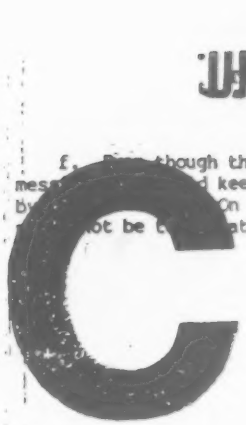
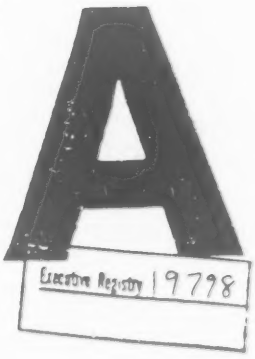
f... Even though the situation is messy and is likely to become even mes... keep in some perspective the damage that can be caused by... On balance, given the current exposure, the damage now ... not be t... at.

Charles E. Allen





C11N 3975

UNCLASSIFIED

3 Nov 86

UNCLASSIFIED

Allen Ex. #8
6/30/87 mas

NIC 05060-86
3 November 1986

MEMORANDUM FOR: Director of Central Intelligence

FROM: Charles E. Allen
National Intelligence Officer for Counterterrorism

SUBJECT: Frankfurt Meetings

1. Bud MacFarlane's trip is becoming known. [redacted] said [redacted] asked him about Bud's visit. The problem stems from the radicals around Montazari taking action. They have convinced him that this was bad for Iran. Interestingly enough, it turns out that Ghobanifar told Montaza[redacted]ut all the transactions and kept him briefed on what is going on. It t[redacted]ut that Ghobanifar and Montazari have been friends for 15 years. [redacted] s[redacted]at the reasons for the failure of the Bud trip were several. One was th[redacted] trip had not been fully coordinated at the senior level. One [redacted] problems was Ghobanifar's presence in Tehran and the role he play[redacted] Most people do not trust him, but he has convinced [redacted] that he has [redacted] of influence in the United States. [redacted] has a lot of faith i[redacted]anifar. The other problem was Amiran Nir's presence in Tehran. [redacted] old them who he was in order to cover his backside. [redacted] argued t[redacted]nce Ghobanifar [redacted] he was someone that they should use. From [redacted] comments, [redacted] was given to believe that Ghobanifar was quite a powerful man. With further regard to Ghobanifar and his threats, Rafsanjani has proposed inviting him back to Iran and keep him there several months working on things. They can keep him based on the fact that there is an order for his execution. [redacted] said that they do owe Ghobanifar $10 million, but he also owes them 1,000 TOWs. The problem for us is that he has been involved in many deals and we do not know how to judge this statement.

2. [redacted]

CL BY [redacted]
DECL [redacted]

Executive Registry 9197

CIIN 4030

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Partially Declassified/Released on 3 Feb 88
under provisions of E.O. 12356
by R. Jonnson National Security Council

5077

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3. Ollie North said that since the beginning of the talks we have taken certain political actions. We have talked to [redacted] and pressured them into curtailing sales to Iraq. We have opened discussions with the [redacted] said that there were four issues that he wished to [redacted] session, but first he wanted to say that Khomeini has issued a decree in which he states his considered opinion that the hostages are prisoners. This has changed the attitude of the Lebanese captors. [redacted] that they wish to table the following points for discussion:

A. How to proceed with our relations, and relations with other states in the area.

B. To arrive at a joint understanding as to why things are proceeding slowly.

C. He wants to explain and clarify his own role in the operation.

D. He wants both sides to engage in an analysis of the security of the operation.

4. [redacted] On our side we explained the US position in seeking better relations with Iran. In this instance we stated that with regard to the 9-point program we were moving as fast as possible and they must also move fast, too. [redacted] said that he has full trust in the group he is dealing with and wants to explain the problem of coordinating things in the Iranian Government. We must understand that this is a new revolutionary government. After Khomeini, it is like a corporation. There are three wings in the government. The right wing is the fanatic wing (Tondro). This wing is actually divided into two groups, one of which is extremely fanatic and the other which is less so. The second group is the Middle Roaders. Rafsanjani is the leader of the Middle Roaders. This group functions as the bridge between the fanatic group and the right wing group. The right wing group leans towards the West in the sense that they want free trade and a democratic government. What must be understood is that all three groups are strongly Islamic and want an Islamic government although all three approach this differently.

5. [redacted] said to understand the government process, we must understand that Khomeini has given to Rafsanjani the responsibility for managing the war and foreign affairs. This is why he is usually referred to as the two man. When [redacted] first brought up the issue of better relations with the US, Rafsanjani agreed, but said that all groups must take part in the [redacted] Rafsanjani insisted that [redacted] from all three groups should take part in this program. After much debate in the cabinet and also the Majlis, a position was reached and [redacted] took it up with the Imam who gave his approval. Rafsanjani's position that

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if the policy succeeds, all will share. On the same hand if it fails, all will also share so no one can complain. The problem is one of coordination between th[redacted] groups. [redacted] stated that the last shipment of TOWs elimin[redacted] channel and establishes his group. [redacted] said that [redacted] ion was very well received in Tehran. This enables the[redacted] rce the [redacted] t to focus on the hostage situation. There is, ho[redacted] some confusion in Tehran.

The problem of Montazari. [redacted] They, of course, wer[redacted] are that [redacted] nifar had been keeping him briefed all along.

[redacted]

7. [redacted] there is a small group of extremely fanatical Hizballah [redacted] This gr[redacted] small, very radical, and united. They published a newspaper in which th[redacted] led that the United States and Iran are cooperating in getting the h[redacted] leased. [redacted] said that at the moment they have no hard information [redacted] the other two hostages, but he suspects that it could be this [redacted] allah group.

8. In one of his many asides to Clarke, [redacted] said th[redacted] ned about North's demand for release of all the hostages. [redacted] oblem

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C11N 4030

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[redacted] said that [redacted] would be arriving in Europe on 31 October. [redacted] said that they want to move things along and hope that the release of two more hostages will help. The perception in Tehran is that the American leadership is afraid of moving things along too fast. They interpreted our original several points as a demonstration of extreme caution. The US side defended this caution and pointed out that the bottom line is that they released two then took three. [redacted] added several points he wanted to discuss as follows: [redacted] Kuwaiti [redacted] cameras for RF-4's, and a list of Phoenix spare parts. [redacted] said that the Iranians have 70 Phoenix missiles which are inoperable and in need of spare parts. Rafsanjani himself is personally interested in the Phoenix problem. This is because the Iraqis have enormous respect for the Phoenix. They need help to repair the missiles on hand as they know it is impossible to obtain new ones. Technicians to help on the Phoenix missiles would be seen as a very positive step in Tehran and could well resolve the whole hostage problem. [redacted] also said that they have enough TOWs for current operations. At this point [redacted] emphasized that the sending of things to them have proved the US' good intentions. We told [redacted] that it might be some time before we could organize the technical support they needed, but we thought such support was essential as their orders for spare parts do not make sense. In fact General Secord believes that if someone were to get into their logistics system he could probably locate large numbers of spares that they do not even know they have. [redacted] also asked if we could do anything about the 20 Chinooks that have been embargoed in [redacted] for three years. The FBI is also holding $20 million that Iran went to court for and won the case. We asked him for additional information on this case and some documentary support so that we can follow it up.

10. In another aside, [redacted] stated to Clarke that they feel they must have pilotless drones to give them the kind of intelligence coverage they need. He wondered if they could buy some from the Israelis. This may be an opening for Nir. [redacted] also told us about [redacted] radars they are buying from [redacted] Although they are supposed to be deployed to cover the Soviet Union, in fact the technicians are installing them along the Iraqi border.

11. [redacted] said that a four-man committee has been formed in Tehran to oversee their relations with the United States. They are as follows:

A. [redacted]

B. [redacted]

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[redacted] said that the man they ultimately want to meet with senior US officials is [redacted] who is [redacted] and a moderate. He is [redacted] role in this is somewhat foggy. [redacted] is the only one of the four that knows of his role. The best way to describe him is that he is Rafsanjani's window on the operation.

[redacted]

Charles E. Allen

A

Executive Registry 1920

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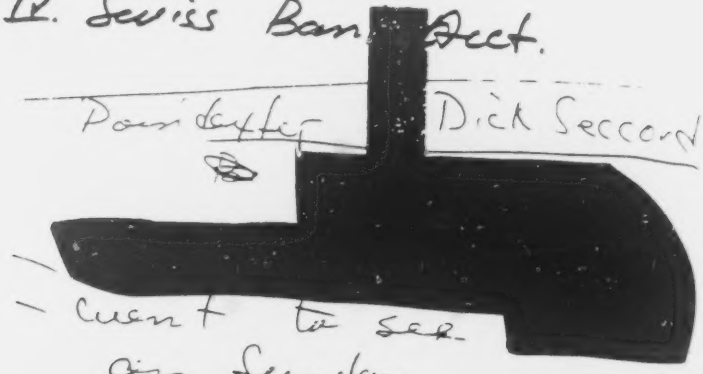
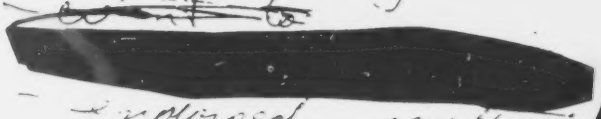
III. NO Shipments until another

IV. Swiss Bank Sect.





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Stenographic Transcript of HSIS 067/87

HEARINGS

Before the

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

TESTIMONY OF CRESENCIO ARCOS

Monday, May 11, 1987

Washington, D.C.

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by D. Sirko, National Security Council

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DEPOSITION OF CRESENCIO ARCOS

Monday, May 11, 1987

United States Senate

Select Committee on Secret

Military Assistance to Iran

and the Nicaraguan Resistance

Washington, D.C.

Deposition of CRESENCIO ARCOS, a witness herein, called for examination by counsel for the Committee, pursuant to notice, the witness being duly sworn by SUSAN A. HARRIS, a Notary Public in and for the District of Columbia, at the offices of the Committee, ninth floor, Hart Senate Office Building, Washington, D.C., at 4:07 p.m. on Monday, May 11, 1987, and the proceedings being taken down by Stenomask by SUSAN A. HARRIS and transcribed under her direction.

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APPEARANCES:

On behalf of the Senate Select Committee:

TERRY SMILJANICH, Esq.
Associate Counsel
901 Hart Senate Office Building
Washington, D.C. 20510

On behalf of the House Select Committee on Covert Arms Transactions with Iran:

MIKE VANDUSEN, Esq.
CHRIS KOJM, Esq.
Associate Staff
House Select Committee
Washington, D.C.

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PROCEEDINGS

Whereupon,

CRESENCIO ARCOS

was called as a witness by counsel for the Senate Select Committee and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. SMILJANICH:

Q This is a deposition being taken by the Senate Select Committee on Secret Transactions with Iran and the Nicaraguan Opposition. Also present are two associate staff with the House Select Committee.

And Mr. Arcos, I will be asking you a series of questions. If there's anything I ask you that you don't understand, please just tell me that you don't understand my question and I'll be happy to rephrase it.

First of all, state your full name for the record?

A Cresencio S. Arcos, Junior, is my full name.

Q And you are a career officer of the USIA, is that correct?

A I'm a career foreign service officer with the U.S. Information Agency.

Q And when did you first become a career foreign service officer?

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A January 1973.

Q And you are fluent in Spanish?

A I am.

Q What is your current title?

A I am deputy coordinator for public diplomacy for Latin America and the Caribbean at the U.S. Department of State. I'm on detail from the USIA to the Department.

Q How long have you held the position of deputy coordinator there?

A I have been there since last -- officially, since last August, 1986.

Q And just prior to that, what was your title or position?

A Before that I was deputy director for the Department of [redacted]'s Nicaraguan Humanitarian Assistance Office. I was there exactly one year.

Q You mean August of '85 to August of '86?

A It was September 1st until August, the end of August, the 31st.

Q And throughout this deposition, I will be referring to that organization, NHAO. The way I usually refer to it is "Know-How." I've heard it referred to as "No-Ho," "Now-How," "New-Who," all kinds of different acronyms.

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But I'll just refer to it as "Know-How," and when I say "Know-How" in this deposition what I am saying is NHAO.

What were your duties as deputy director of NHAO?

A My duties as deputy director, for one, was to substitute [for] the Ambassador, Ambassador Duemling, who is the director of the office, in terms of dispensing the $27 million in non-lethal aid that was given under legislation in 1985 to the Nicaraguan Democratic Resistance.

And the principal duty was to make sure that these $27 million reached the resistance per legislation, in its non-lethal form as prescribed by the legislation. And we were to ensure and set up the mechanism for this disbursement of funds.

Q Okay. The NHAO program generally -- it was originally set up to dispense the $27 million in humanitarian aid that was passed in mid-1985, is that correct?

A Correct.

Q Now, do I understand there was some -- correct me -- that there was some possibility that after that $27 million program was used up, NHAO might continue to exist in some form after that? Was that part of the original

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intention?

A Not the original intention, but certainly it was considered in 1986, in the spring of '86. The Administration was asking for additional lethal and non-lethal funding, and there was consideration -- it was never formalized -- by the State Department that the lethal separated from the non-lethal, that perhaps the NHAO office would continue in existence.

Q But that didn't happen?

A It did not.

Q You said as deputy director you would substitute for Ambassador Duemling in his absence?

A Right.

Q What were your other duties?

A One was obviously dealing with the press. As it turned out, after about five or six months it became a very demanding, shall we say, situation, because of the hearings on the Hill and the press reports in the press concerning the dispensation or the disbursement of funds.

This, we were just quite frankly beleaguered by press queries. That actually, in the final analysis, became more than 50 percent of my time, just dealing with the press. Since I have been or have had press experience in the past as a USIA officer overseas, it became a natural situation.

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I also, having the fluent Spanish -- Ambassador Duemling does not have Spanish -- I acted as interpreter for him many times when he dealt with members of the Nicaraguan Democratic Resistance. I also dealt with directly many of the concerns of the suppliers in the Central American region that only spoke Spanish, and they would call our office in terms of billing or some problem they may have had with billing or delay in payment, or why wasn't a check issued on time, or perhaps missing documentation for further processing by our office.

Things of that nature were the ones that basically I dealt with in the field.

Q Prior to becoming deputy director at NHAO, what was your position?

A Prior to that, I was five years in Honduras as the councilor of embassy for public affairs in Tegucigalpa.

Q What did that position entail?

A That is the senior USIA position abroad in an embassy, and basically it is the press and cultural function of an embassy or a U.S. mission abroad.

Q So in layman's terms, what does that mean you did on a day to day basis?

A On a day to day basis, I had a cultural

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program which included exchanges, educational exchanges, academic exchanges, or exchanges of researchers, like Mayan archeological findings, people, researchers that were doing a study on Honduran body politic, sociologists, academics that normally are under Fulbright, or other types of exchanges that we had normally.

It also included bringing a series of American speakers to Honduras to speak on specific subjects, be it Soviet activity in the Western Hemisphere, Latin American integration, U.S. economic assistance, et cetera, and those types of topics.

It also included distribution of publications that are put out by the U.S. Information Agency for use abroad, as well as dealing with the press. On the press side, I would deal with the national press, the local Honduran press, in terms of explicating U.S. policy issues with editors, reporters.

When they queried the embassy, I was the embassy spokesman. I was the principal spokesman for the embassy after the Ambassador.

I also dealt with the international press extensively because of the interest by the American press particularly in the region, particularly beginning in 1981 until the time I left, on the military and security

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issues, as well as the intelligence issues and political issues and economic issues with regard to the region.

All of these were issues I dealt with in the context of our policy toward Honduras.

Q In your position as councilor, did you come to know several of the leaders, the political leaders of the Nicaraguan opposition groups [redacted]

A I did.

Q How did that come about?

A When the FDN was first formed, as I remember, I think it was 1982, the middle of '82 -- maybe it was late '82. After it was formed, most of the people that belonged to the FDN directorate -- and by FDN, I mean the Nicaraguan Democratic Force, better known in Spanish as FDN -- many of the leaders or members of the directorate [redacted] and many visitors, official visitors from the United States, members of the Select Committee, from Congress, members of the Administration, would visit them.

And I was asked to interpret, because of my fluency in Spanish, in many instances. In other instances, there were -- I had contact, not with the leaders, but with their press spokesmen, who would ask me questions of how to handle the press in terms of how do you set up a public affairs thing, which I did not give

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them that expertise.

But what I did was I would refer basically visiting journalists that wanted to talk to them, I would just give them a phone number or a name and that was it.

Q Can you tell us the names of the FDN leaders that you came to know on an other than very casual basis?

A The one I knew and I dealt with primarily was their press spokesman, who dealt with all the press there and issued press releases for the FDN. That was Frank Arana. He is not a member of the directorate.

However, I did meet in the visiting groups that went there, I met Mr. Adolfo Calero, I met Mr. Alfonso Callejas, Colonel -- or Commandante, I should say, Enrique Bermudez, and I met Edgar Chamorro.

This is basically in the '82, '83, primarily '83, when I got to know most of them.

Q Okay. When the Boland amendment number two was passed in mid-1984, which basically cut off Congressional funds for use in Central America by the contras, you were in Honduras as councilor at that time, is that correct?

A I was.

Q When that aid cutoff came into effect, were you given any guidelines or instructions from anybody as to what effect that might have on any of your activities?

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A I was told that under the legislation, I believe it was October 1984, that terminated all U.S. assistance to the resistance, that we no longer could support them in any way.

I had never had a support function. It certainly did not affect me. The intelligence or the intelligence agencies, [redacted] was the one who dealt with this.

I on occasion, on several occasions in the '83, '84, and the beginning of '85, had been acting deputy chief of mission. I had been given information in terms of names. I was never given any hard intelligence of what exactly the operations consisted of. [redacted]

At this period that you ask of, October 1984, after the turn-off, I was told [redacted] that they no longer could have any contact, the U.S. could not have any contact, with the resistance, not even sharing of intelligence. This is October again 1984. It may have been November. I'm not certain exactly the dates.

But I was advised informally [redacted]

Q Did you in fact see that the level of activity [redacted] FDN dropped off after that?

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A Certainly I was in a position, one of the senior positions in the embassy. I was able to see that they did not have the traffic in terms of TD wires and [redacted] I certainly saw a notable drop of traffic [redacted]

Q Now, from that period of time, October-November 1984 until you left in the summer of 1985, when you left Honduras, in that time period the FDN continued to receive, as far as you could see, supplies, both humanitarian and lethal, during that time period, didn't they?

A Well, certainly it was reported in the press, in the Honduran press and the international press, that they were. They continued to fight inside Nicaragua. It certainly was not as significant as it had been in '83, the beginning of '84.

The reports that I saw, open and classified reporting [redacted] it became clear that these continued to have a presence inside of Nicaragua. And therefore I assumed that they were receiving some sort of supplies to stay afloat.

Q Well, what information did you have as far as

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the source of the supplies that the contra leaders continued to receive?

A I had no official information. No one ever told me. It was always spoken about in the press, and when the spokesmen of the FDN or any of the leaders spoke, they would always say it was non-U.S. government help and that they were getting donations from friendly countries or friendly benefactors in the United States and other places.

But never did they mention a country or never did they mention a specific benefactor.

Q Okay. Your position, though, I take it, put you in a spot where you received lots of information [redacted] with regard to the contras themselves, isn't that correct?

A Correct.

Q Based upon all of this information, you were getting clues and hints and whatever else, were you able to come to any of your own conclusions, even though it wasn't official information that you were given, as to where the FDN was in fact receiving their supplies from?

A I could only conclude that, one, obviously they were getting support [redacted]

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[redacted]

Certainly I believe that [redacted] might have helped them. I don't know the specifics, whether it was lethal or non-lethal. I just assumed that primarily they were getting enough support, [redacted]

And I'll be very honest with you. I feel that certainly I had no real contact with the contras except in a press sort of sense during this off period, [redacted]

And from them and their comments, information was able to gather that [redacted] was being as helpful as it could. But it seemed to me that [redacted] was not giving them, certainly not all of their aid.

So I came to the conclusion that they were receiving certainly some help of some sort, either from [redacted] or elsewhere, [redacted] and there were also press reports, particularly in June of 1985, there was a Reuters report I remember of a ship

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supposedly loaded with arms that arrived in Honduras at Puerto Cortes. That's the port on the Atlantic side, the Caribbean side.

And there was a report that arms, a whole shipload of arms had arrived, I believe it was June of 1985, in Reuters. There were follow-up stories in the Honduran press speculating as to the nature or where it may have come from, but it was never specifically spelled out as to where it may have come from or who financed it.

Q Did you ever meet, before you left in the summer of '85, a man by the name of Felix Rodriguez?

A I did.

Q Tell us how that came about?

A I don't remember the exact dates, but I believe it was middle, probably middle to late '83. Mr. Felix Rodriguez was referred to me by Mr. Jorge Mas Canosa, who is the President of the Cuban-American Foundation in Miami.

And Mr. Mas Canosa, with the Foundation, had been bringing Cuban-American physicians to treat the wounded of the resistance, of the FDN, and also in the case of some of their worse wounded or badly injured, like the case of maximal facial -- that means reconstructive surgery -- [redacted] they were sending these people,

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bringing them to the United States.

And Mr. Mas Canosa referred Felix Rodriguez to me as a person that he should to in terms of [redacted]

So I met Mr. Rodriguez when he came to my office, and I don't remember the exact date or the month, but I know it was, I believe, late '83. It may have been as early as August of '83, somewhere there.

He came and introduced himself with a card from Mr. Mas Canosa, and that he should talk to me [redacted] Then he spoke of his role in helping bringing these physicians [redacted] to help them, the physicians to attend the FDN wounded, and also take the more serious cases back to the United States for treatment.

Q Did you after that initial meeting with Mr. Rodriguez have any further dealings with him?

A Yes. He came several times, and he would stop by and chat and tell me how his project was going and that he was bringing medicine -- he claimed that he had brought medicine or some clothing to the resistance. But those are in terms of the wounded that he spoke of, something to do with medical help.

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Q Every time you talked to him, it dealt specifically with this medical situation?

A Yes. I never had the impression he did any more than that.

I also, when I mentioned it to [redacted] I talked to Mr. Rodriguez, [redacted] told me, but I should not talk to Mr. Rodriguez, because he described him as a troublemaker. And I did not ask anything further.

I think I saw Mr. Rodriguez once or twice after that. But I gathered that there were some problems by the way they appreciated what was happening [redacted] in terms of the Nicaraguan resistance. That was the impression I got.

Q I'm sorry, who told you that, that he was a troublemaker?

A It was [redacted]

Q Was he [redacted]

A It may have been [redacted] It was not [redacted] I don't believe it was [redacted]

Q Were you aware that Mr. Rodriguez eventually ended up in El Salvador working with counterinsurgency efforts there?

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A Yes, because in 1985 before I left in the spring of '85, at least when I was there in Honduras, he came to the embassy before I left. I left in July of '85. And he told me that he would no longer be coming to Honduras and he was going to go to El Salvador to work on a project helping the Salvadoran Air Force.

He did not explain to me what would be the nature of it. And he basically came in the capacity to say goodbye, that he was just there and he would be working in El Salvador.

Q Did he indicate or say that any of his activities in El Salvador would continue to relate to the FDN or other contra factions?

A No, and I can tell you that after I came to the United States in July of 1985, Mr. Rodriguez, I believe -- and I don't remember the exact date -- visited me while I was director of the NHAO office in Rosslyn, Virginia.

And it was the winter, I'd have to say it was the winter. Maybe it was late spring. Visiting me and he said he had been up here visiting some friends of his in the White House.

And then I had a conversation with him, and he explained a little bit more what he did in El Salvador and the problems that they were having in terms of this

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program he had with the Salvadoran Air Force.

But if anything, when he would mention the FDN, as he did previous to this, prior to this conversation, he was very critical of U.S. handling, as he would put it, of this whole project. He was highly critical. He said that it was being done all wrong. He would repeatedly say that, without getting into specifics.

And that was all he basically mentioned, other than the medical aspect that he was involved with, with the FDN. His only reference was that, and even at that period -- as I said, he visited me once in Rosslyn, I don't remember, in late winter or early spring of '86.

Then Mr. Rodriguez called me up in the summer that he was here and just said hello, because he knew I had had surgery, back surgery, and called me to ask me how I was. I had had surgery in May and I was laid up for two months.

And I believe it was either July or August of this past year, 1986, that he called me from here in Washington. And that's all he said, just asked. It was a courtesy call, you know, how I was.

And the last time I heard from Mr. Rodriguez was in September, late September -- I don't remember the exact date -- of 1986. He called me from El Salvador

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because he claimed that Congressman Claude Pepper had been down in El Salvador with some staffers, and the way he related this is that he had met with the Congressman or his staffers.

I'm not certain if in fact he met with the Congressman, but I know it was some staffers he claimed he had met, in terms of winning Congressman Pepper's support for some bill affecting El Salvador that was to be included in the continuing resolution.

And he called me to ask me if I could call a certain gentleman from Mr. Pepper's staff to find out about the status. And it was late at night and it had to be the very -- either the second or virtually the last day of September, because that's when the continuing resolution would have to come in.

And I tried calling. No one was in that office. It was late at night. It was about 9:30 or 10:00. I did not hear from Mr. Rodriguez after that.

Q When Felix Rodriguez went to El Salvador, which as I understand it was, through other evidence, was basically January or February of '85 -- go ahead.?

A Yes. Now that you mention it, El Salvador -- I would have to amplify another meeting with Mr. Rodriguez.

Q Go ahead.

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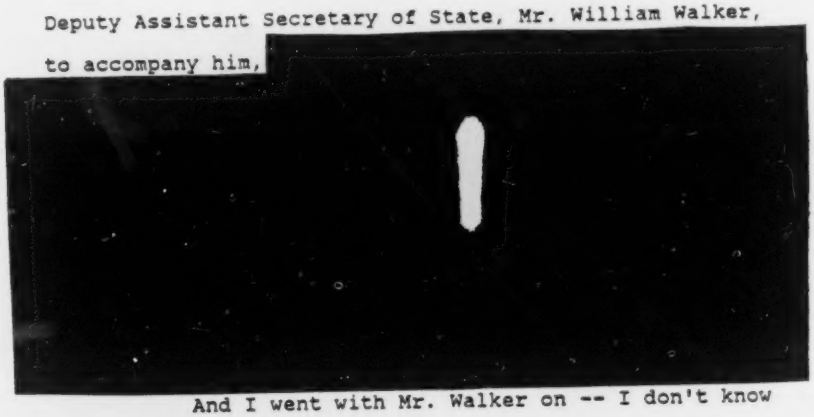
A I did meet Mr. Rodriguez. It was around December, just briefly. I did not really talk to Mr. Rodriguez, but very briefly in December of -- it was right after Christmas of '85. It had to be around December 27th. I don't know the exact date. I would have to double check my calendar.

But I had to go on a visit to Honduras in late December of '85, and on this visit I was asked by the Deputy Assistant Secretary of State, Mr. William Walker, to accompany him,



And I went with Mr. Walker on -- I don't know what it's called, but it's one of the White House planes. It was a Jetstar, and we were accompanied by two other gentlemen on that trip and we stopped off in Key West, and then we stopped off in El Salvador, unbeknownst to me until we were in the air that we were going to have a stopover in El Salvador, and that's when I saw Mr. Rodriguez, before I saw him in -- before he visited me.

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Q What were the circumstances of stopping in El Salvador?

A It was never explained to me exactly what it was.

Q Did you meet with anybody while you were in El Salvador?

A Well, yes, we met with some people on the ground. There were four of us in our party, and we met with people on the ground, which included Ambassador Corr [redacted] and it included apparently some people from the MIL group. I think it was the air section chief.

There were some other people I did not know, because I was introduced only -- actually, I had met Ambassador Corr before, so I greeted him.

Q What was the purpose of the meeting, could you tell?

A It was the two gentlemen who were with us had business to do there with them, and I really did not participate in the conversations. They met with these people, so I was not privy to the conversation, only the beginning, the basic formalities.

Q How did you see Felix Rodriguez during that stopover?

A He was there. He came into the meeting.

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Q He participated in part of the meeting?

A Part of it, but not most of it. He left as well. He left and I stepped outside and went back to the plane.

Q Do you recall any part of the discussion that was held during the time Felix Rodriguez was at that meeting?

A I'm trying to remember. One gentleman chastized him, told him to leave the room because, as I remember the correct wording, we can't trust Cubans, they talk too much. He said that to Mr. Rodriguez.

Q You say you were with Deputy Assistant Secretary Walker and two other people. Who were the other two?

A Lieutenant Colonel Oliver North and [redacted] head of the Central American Task Force.

Q This, first of all, was a stopover in El Salvador, and from there it went on to Honduras?

A We were only on the ground roughly about maybe half an hour to 40 minutes, as I recall.

Q And you don't recall, other than what you just said, you don't recall anything else about the meeting, what the topic of discussion was?

A I think the topic of discussion was -- and it was the way I picked it up. It was not formally told to

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me, but the way I was able to sense this was -- and I say it was not explained to me exactly what the nature of the stop was, but I could only infer, and I repeat, infer, that it had to do with [redacted]

And basically, my impression was to basically find out what in fact could [redacted]

Q But you weren't asked to contribute anything to the meeting?

A No, I was not.

Q How long was the stopover in El Salvador?

A As I said earlier, it was between 30 and 40 minutes, as I remember.

[redacted]

[redacted]

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Q Was there any other business in Honduras before you left?

A After that, immediately we got back on the plane and turnad around, came back, with a stopover in Key West for refueling, and that was it.

Q That wasn't the first time you met Oliver North, is it?

A No. I had met Colonel North when he was a major, and I don't recall exact dates. But I remember it was late '82 or some time in early '83. He came to

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Honduras as a junior NSC staffer, I was introduced to him as.

He was at receptions, I guess. I know for a fact I saw him at receptions at either -- at both the Ambassador's house and the deputy chief of mission's house in that period. And then I spoke to him and he identified himself, and that's how we got to know each other, sitting at dinner or at a cocktail party and some of the receptions he attended during this period. That's when I got to know him.

Q Well, before you left Honduras in July of '85, how many times had you met Colonel North by then? Can you give me an approximation? A lot of times, ten times?

A I had maybe seen him at least six times, probably no more than ten, in that period between late '82 and the middle of '85.

Q Did you ever see him -- before you left Honduras, did you ever see him in Washington?

A No, I did not.

Q So all the times you saw him, they were times when he was in Central America?

A He was in Central America.

Q Was he always with a party of people?

A Yes, he was.

Q Did you understand Colonel North to be the NSC

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staffer who dealt primarily with Central American and Nicaraguan matters?

A No, I just thought he dealt with security issues. But I remember that the people that we were introduced to on the NSC were Mr. Fontaine, and then Mr. Menges, I don't remember going, but Mr. Fontaine, Roger Fontaine, went several times.

I don't recall that they went together, frankly. And then Mr. Burghardt subsequently. I saw him in Honduras. And so we knew, in terms of the NSC, he was the director for Latin American affairs on the NSC, or a deputy such as Jackie Tillman that dealt with these issues.

I always had the impression that Colonel North or Major North then, as I knew him, was on the NSC and dealt with larger issues of security and terrorism, and that was what I had an understanding, although he was very interested in this issue of Central America and particularly the Nicaraguan issue.

I did not know the specifics of his interest.

Q Prior to leaving Honduras in July of '85, did you ever come to know in any way that Colonel North was dealing with operational details of the resupply of the contra effort [redacted]

A No. At the time I was in Honduras, I never

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had that sense or feeling or suggestion.

Q Okay. How did you come to be deputy director at NHAO?

A When I came back from Honduras in July of 1985, I was assigned to the National War College here in Washington at Fort McNair, and I visited Raymond Burghardt, who was then recently named the director for Latin American affairs on the NSC. He had served as my colleague as political counselor in Honduras in the '82 to early '84 period. So we were colleagues on a country team, and we had kept in touch with each other.

And I went to the executive office building to see him, and we went to lunch on a couple of occasions. And I ran into Oliver North in the hall one time and greeted him, and he chatted us up and that was it.

Then Mr. Burghardt asked me if I was interested in taking the job that would be opening for the deputy director of the NHAO office, because the appropriations had now been set forth and it was a question of when they would sign the executive order, and they were looking.

And at first I said I was not terribly interested in something like that. Then I saw North one day, it was in August 1986 -- '85, rather. And I asked him what he thought of that idea.

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And Colonel North told me that he felt I should -- if anything, I should go work for Ambassador Otto Reich in public diplomacy. And that was what he thought I should do, and that Ray Burghardt thought I should seriously consider this other job in the NHAO office.

I did not make any determination or make any decision at that point in August. It was only toward the very end of August when I was called by William Walker, the deputy assistant secretary for Latin America, who is in charge of Central America, who had been my deputy chief of mission in the '80-'82 period in Honduras and I had a personal relationship with him -- we were good friends.

He asked me if I would seriously consider taking the deputy directorship at the NHAO office, because he claimed that I had the language, I had experience with the region, I knew the -- I had met the resistance, I was familiar with the policy [redacted] and because of the nature of the program as it had been legislated by Congress, it would be somewhat difficult, and we would be able to get this non-lethal aid to the resistance.

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I then went back to my agency, USIA, and asked them. They then came back and suggested that, if in fact it was needed -- and then they entered into a discussion with the State Department.

And then I left the War College after four or five weeks and went to NHAO around the first week of September 1985.

Q During your discussions with William Walker, Ambassador Duemling hadn't been picked yet to be Ambassador, had he?

A No. The first time Walker mentioned it to me, no. It was only after about a week or so -- I don't recall the exact time frame -- when he told me that Ambassador Duemling had been selected. That's when he mentioned that he was seriously asking me to consider it, after they had chosen Ambassador Duemling towards the end of August 1985.

Q So it was your impression that you didn't accept the position of deputy director before Duemling was picked as director, is that right?

A It was only after Duemling was picked.

Q Did -- what was your perception? Why didn't you believe that Ambassador Duemling was the one who should be calling you up and asking you if you wanted to be deputy director, as opposed to William Walker, if

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Duemling had been picked?

A I don't know what the procedures in that are. Sometimes the -- I know that an Ambassador -- of course, this is not a mission; this is an office in the Department. I don't know the politics of that in the Department whether an Ambassador can choose his deputy.

I know that he has a very, very strong say-so when it is deputy in a mission overseas, and he can only choose his secretary and his DCM. Other than that, he inherits everything else, so he is at the mercy of the bureaucracy.

In this case, I don't know whether office directors really get to choose their deputies. My impression is that is not the case. I think that is left up to personnel and the powers that be in each area.

Q When you talked with North about the possibility of taking this position as deputy director and he told you he thought you should go with Otto Reich's public diplomacy group, didn't North indicate to you, though, that he thought that one or the other would be a good position for you?

A Right. But he was inclined, the second time I talked to him on this matter in August -- he then said, well, I know that Burghardt and other people want you to go to be in NHAO.

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I'm not certain, frankly, if his druthers were that I go work with Otto Reich because Otto Reich would be leaving and his deputy, Bueschler, was going as Ambassador to Guinea Bissau and Otto Reich would be going as Ambassador to Venezuela, and he suggested that I would be ideal for taking over that office in the event that Otto Reich left some time in the next few months. And that was the basis of his interest in my taking -- that I should ask or should put in for that job.

And I had discussed it with Ambassador Reich.

Q Now, before August of 1985 had you ever met Rob Owen, Robert Owen?

A I believe -- and I don't remember the dates -- he came with the legislative group to Honduras. I don't remember meeting him, except the name was there in a crowd of Republican staffers from the Hill, I believe the Republican staffers from the Senate majority side at the time.

And I remember, I believe he came there with Senator Quayle or the Republican Caucus. I'm not certain which of the two. He may have told me later, and that's why I'm saying it's Quayle or the Republican Caucus, Republican Caucus, Foreign Policy Caucus, something to that effect, with that group.

And I remember one of the other ladies who was

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there was Mary Calhoun, I believe, who works for Senator Symms. And it was just an orientation visit and that was it. I met them briefly and that was it, shook hands, but I had no conversation with him.

Q Was that the only time you ever, to your knowledge, ever met him up until he actually came to work at NHAO?

A Yes, that's the only time I remember, and I didn't even remember his face, because we had so many staffers.

Q Did North -- up to this point, did North ever indicate to you that Rob Owen was doing any work or activity for him in Central America?

A No, it was only after I was deputy and that Rob came to the office, I believe, to talk to Duemling, to Ambassador Duemling. And I was not around, but later -- I don't recall if he came with the three members of the UNO directorate.

I remember he came to our office in Rosslyn, and that's when we spoke again for the first time, as I recall the first time. I did go with him to North's office subsequently, and I remember that North said it would be a very good idea that Rob Owen work for NHAO because he had learned something about the resistance, something about the Indians, specifically the Meskito

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Indians and the Creoles; and that he had been working on the medical side of things with a gentleman by the name of Dr. Vernon Chaney, I believe, with the Tom Dooley Foundation.

I never met Dr. Chaney. Ambassador Duemling did. He brought a proposal that I was led to believe Rob had helped him on, and he was never given a contract or anything, Dr. Chaney.

But that's the way Colonel North described Rob's, should we say, curriculum or qualifications for getting a consultancy of some sort with NHAO.

Q How did you end up going with Robert Owen to Oliver North's office?

A Because when Rob came to our office several times, then he knew I knew Oliver or Ollie. So one day when we went to lunch we were over by the Executive Office Building and we dropped in on North.

Q This was before he had his --

A I believe it was around late September or October of '85.

Q This was after he had already -- let me just say this. He came to Ambassador Duemling, tried to get a position, and then eventually UNO wrote a letter and subsequently there was a RIG meeting and subsequently --

A Exactly.

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Q Where in that sequence of events was it that you were with him and went to Oliver North's office?

A It had to be before -- I believe it was, and I don't recall this exactly, but it seems to me that it was late September, and I believe it was certainly before the RIG or any decision had been made.

But he mentioned it to me and I mentioned it to Ambassador Duemling, and Duemling, Ambassador Duemling, told me that he didn't see what he would do. And I said I wasn't sure myself, but he claimed to know something about particularly the medical delivery system to the Meskito Indians, et cetera, and used the Chaney -- Dr. Chaney's study.

My own impression was that Rob did not speak Spanish, much less Meskito language, the language of the Meskito Indians. So I didn't know how useful his consultancy would be.

And Duemling raised it first and I agreed with him.

Q So would it be fair to say that you weren't particularly lobbying to get Owen a position with NHAO?

A No, because I knew that Ambassador Duemling had mentioned it to me even before I spoke to North, or that North mentioned it to me. I knew Ambassador Duemling had mentioned it. He had been around, and what

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was Owen all about?

And Ambassador Duemling felt that he wasn't in a position to issue a consultancy or give him a consultancy. So I knew Ambassador Duemling's feelings on that matter, and I did mention it, I believe I mentioned it, to North.

I said, well, I don't think Ambassador Duemling can be convinced of this. He said, well, you guys should consider it. He didn't seem to pressure me or insist. He made it in terms of a suggestion, that it would be good to have Rob work with us. He didn't say, hire him. He didn't command us to do it, at least not to me anyway.

Q I'm still a little confused. If Owen had already been rejected by Ambassador Duemling, what were the circumstances under which you were having lunch with him and then you all went by --

A Because he kept coming by the office. That was basically it, he hung around the office. At that point in September of '85, we had many of the resistance people come into our office. And he knew Arturo Cruz, Adolfo Calero, and Robelo.

And I remember once he came in with Robelo, and then he came with all three, as I remember it correctly, as I recall now. And I don't recall the

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specifics of the dates, but I remember him coming on several occasions during that period to accompany the resistance and talk with Ambassador Duemling.

Then the impression was that he had found Ambassador Duemling wasn't very amenable to his contract. He knew me and he knew Ollie, so we went to lunch one day. I believe it was the basis of a lunch, and we were somewhere, and he suggested that we go see Ollie.

Q Did North ever indicate to you or in your presence in any way that he wanted Robert Owen at NHAO for any reasons that would serve Oliver North directly?

A No. The impression I got, it wasn't like that. I mean, maybe there is something, if you rephrase your question perhaps. Ask me the question again.

Q Has North ever indicated to you or in your presence that there were reasons he wanted Robert Owen at NHAO that would serve Oliver North's purposes?

A No, I didn't interpret it in that way. What he said was that Rob had been very helpful to him in the past, and sort of his eyes and ears in Central America with the contras.

I don't remember if he used those specific words, but my impression was like he was his eyes and ears, and that he kept him abreast of a lot of things. But he did not get into specifics ever with me on that

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issue of what Rob did.

And I felt like he was trying to reward Rob because Rob had been working without pay. That was my impression. And I remember in that conversation, or maybe it was the second conversation with Owen present, that Owen asked that he needed reimbursement for some travel expenditures; he was out of pocket sizable amounts of money. The figure $600 to $700 stands out in my mind now. I believe it was something like that.

And North answered, he said: I'll try to get somebody to get some money to you. And that was it, but no description, no suggestion as to what he did or why he was being paid or where the money was coming from.

Q You were at the RIG meeting in which Owen's contract was discussed?

A I was.

Q What do you recall about the RIG meeting?

A I remember that Ambassador Duemling went and said, we have this letter -- well, first he outlined that Rob had come to him with Vern Chaney and that Rob wanted to work as a consultant, and then that it had been verbally conveyed to him by members of the resistance, and then finally Arturo Cruz, I believe, brought a letter or two letters.

I think one was his, an endorsement. I don't

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remember exactly whether it was one letter or two letters. I know there was a letter signed by all three, and I believe it was sent.

But I think that Arturo Cruz, if my memory serves me correctly, brought a letter and personally endorsed Rob's role as getting a consultancy with NHAO. So Ambassador Duemling described all of that, because I was not in those conversations with the directorate or Mr. Cruz on the Rob Owen issue.

Ambassador Duemling at RIG voiced his concern, saying that he was not sure what in fact Rob Owen could do or bring or offer to the office that we couldn't do. He didn't have Spanish, he didn't have an expertise in medical or anything like that, except that he had been doing it.

And Ambassador Duemling suggested, well, it was North's idea, and he didn't state it -- I don't remember correctly, but he said, look, the directorate is now on me; what gives here?

And Ambassador Abrams and Bill Walker and other members -- and I don't recall all the members present -- went back and forth, and finally they said: Well, it won't hurt to give him a consultancy. And it was decided at the RIG. I did not participate in the discussions.

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Q You didn't speak out for or against hiring him?

A No.

Q Now, after Owen signed his contract with NHAO, and I believe actually it was a contract with his company, Institute for Democracy Education Assistance?

A Yes.

Q There was a grant with NHAO. After that, did you ever have any information that he continued to be Oliver North's eyes and ears in Central America?

A Yes, because he mentioned to me that he spoke to Ollie quite often. And of course, Ambassador Duemling basically had Rob report to me in terms of any reports, so I required all the written trip reports, what he did on each trip.

And he would bring me and I would go over with our B&F man, our budget and fiscal fellow in the office, to make sure we vetted his expenditures correctly. So basically that was my role.

But he also met with Ambassador Duemling when he would debrief Ambassador Duemling after a meeting.

Q What did he tell you?

A After every trip, I should say.

Q What did he tell you about his many conversations with Oliver North? What did he say about

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it?

A He never really got into any details of any sort with me. The only thing he would say is North's concern with the way the whole movement or the whole project was going, and that he was concerned about not getting lethal aid funding in '86.

So Owen would tell me that North was very concerned about the viability of the contras, their ability to equip themselves military. He had concerns about certain elements of the FDN, because I increasingly began to notice that Rob Owen fell into disfavor with the FDN.

And Rob told me that the FDN was not very kind to him any more, because they felt that he was sort of snitching to North about some of their problems or some of the things that they were doing. Specifically, the only thing he ever mentioned to me was that he was telling North the way the Meskitoes or the Indians were being treated by the FDN, and that they were never getting their fair share.

And the Indians were always complaining to Owen, and one of the reasons I believe that Owen had an affinity with the Black Creoles and Indians is that there were many English speakers. The Creoles are virtually English speakers, and many of the Meskitoes, Atlantic coast

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people in Nicaragua, speak English. So Rob was able to communicate with them.

And it seemed to me when we had meetings, we had members of the Meskito tribe or other Atlantic coast people present, Rob always had an affinity. They always sought Rob out and they saw him as kind of a protector. So I felt -- the impression I got from Rob was that he was reporting to North on some of the problems that the Indians were having with the FDN primarily.

And then he began to tell me that the FDN -- he was in disfavor with the FDN by the end of '85, beginning of '86.

Q When did Owen's activities for NHAO essentially stop?

A They stopped essentially, I believe -- I'd have to go back, but I'm almost certain May 31st, 1986.

Q Why do you pick that particular day?

A Because I think that the contract stated that, the terms of the contract. After that he had nothing to do with us.

Q Did you continue to see him?

A I saw him, because we were then moved to K Street, over on K Street here in Washington, 21st and K. And he then had a job for the Institute for Terrorism and Democracy. I'm not certain of that, but a Mr.

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Livingston. And he came to visit us, because he was only a block or two away. He could pop in at times at lunchtime and have a beer or a sandwich with us, and he knew everyone in the office at that point.

Q What did he tell you he was doing at that period of time?

A At that point, he was only working for the think tank, he described it as Mr. Livingston's think tank. And he had a job there. And then by that point -- that was last summer, in June-July primarily -- well, June I didn't see much of him because I was sick.

But July I saw him, and in August I left NHAO. He spoke of his disillusionment with the whole project and his deep concern about the way the FDN comported itself, behaved itself. And he was very contemptuous, contemptible of the leadership of the FDN and the way they carried out their duties, the way he saw it.

He just felt that they were not very effective. That was his concern.

Q When was the last time you saw Rob Owen?

A I saw Rob -- I'm trying to remember. He invited me, my wife and myself, to dinner at his house when Cesar Sereseres, the fellow from Iran, was in town. And he invited Cesar for dinner and he had us over for dinner, and that was the last time.

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Q When was that?

A About four or five weeks ago.

Q What about during the 1986 time period? Did you continue to see him frequently?

A No. In the fall, I think I may have seen him once or twice in the fall of '86.

Q Okay. Now --

A But I have seen him maybe four times since that period.

Q You talked about him being disillusioned with the project. What project were you talking about?

A The contras, the whole contra support.

Q Did he ever specifically talk about any of the private groups that he was disillusioned with?

A No. The only thing, I told him, because I was picking up a lot, particularly in the late spring of '86, from the press that were placing him in different situations that may have not been advantageous to the NHAO and the State Department, because some reporters specifically came to me and said that they had information that Rob had been involved in the discussion of some arms shipments or arms purchases for the contras.

I approached Rob about this.

Q When was this?

A In the spring of '86. I approached Rob about

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this and told him, gave him the specifics. In fact, I remember that supposedly he was with Adolfo Calero in San Francisco in a meeting in early '85. Supposedly that was what the press reporter had, and he told me this and asked me if I knew anything about it. And I said I did not.

So then I subsequently asked Rob Owen. I said, did you know that the press is saying this? And Rob did not deny it, but did not admit it. He sort of smiled and said: Well, there are so many interpetations, something to that effect.

But I don't remember him giving me a categorical answer on it.

Q Which press was this that came to you?

A It was American press, the Associated Press.

Q Is this a part of the sequence of events that involved the people that came to your office one time and complained to you about the Southern Air?

A No.

Q But it was later after that you got a call from a press person about that same matter, as I recall?

A Yes.

Q Was that the same?

A No, no, no. That was very different. This is much earlier.

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Q Well, we're going to get back to that in a minute. Let me first finish up with Owen.

Did you have any information at any time that Owen was transporting military intelligence information on his trips to Central America to be given to various contra military leaders?

A No, I specifically did not. I knew that he must have carried it because of his relationship with North became increasingly clear. I didn't understand in the beginning the relationship. I thought that he was basically down there because he believed in the cause and he was a friend of the contras.

But as the months went by, I realized that he had a more specific function, and in fact Bob Duemling and I discussed it on several occasions. And then obviously, when I was asked about the arms, his presence in the San Francisco meeting, I confronted him.

But before that there had been another concern that had arisen that I had confronted Rob about in terms of his contacts.

Q What was that?

A That was in February of '86 in Miami. A journalist friend of mine said that Rob came to visit in the hotel. I think he was attending the same meeting actually in his capacity as a consultant, and a fellow

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Cuban-American by the name of Vidal -- I don't remember the first name -- came to the hotel.

And this friend of mine -- I was sitting in the lobby with this journalist friend of mine and saw him, and he said: You know, your friend Owen should be more careful about his friends. And then he went on to describe Vidal as a very, very suspect, a suspicious character that may be linked to some drug trafficking.

And then I told Rob about this. I said: Rob, I am told that this man is not someone you should be around, because he has got a reputation for some drug trafficking. And Rob said: Is that so? Who told you this?

And I said: This friend, and if he didn't believe the journalist he should see someone in the Dade County Police Department or Miami, I don't remember which. He gave me a name to give him, which I don't recall now.

But Rob was somewhat offended by the suggestion. He said that wasn't so.

Q Let me understand this. You were with a journalist friend?

A In the lobby of the hotel.

Q He saw this man Vidal?

A With Rob.

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Q Vidal was with Rob at the time?

A Yes, in the hotel lobby. I didn't notice. He told me later, he said, I saw Vidal.

Q Did Owen tell you what he and Vidal were discussing?

A No. When I asked him, in fact, when I told him what the journalist friend had said about Vidal, he said that wasn't so; he didn't have any indication of any such activity by Vidal. In fact, Vidal -- he introduced me to Vidal in the hotel, and Vidal showed me a document in Spanish, an assessment -- he showed it to me. I read it.

It was on why the contras were losing. It was basically sort of -- it was sort of an allegedly sort of strategic paper, a think piece. And it went into a lot of dynamics of policy -- or politics, rather, in Nicaragua among the contras, and their weakness.

Basically, Vidal was sort of decrying the contras' inability to do more in Nicaragua. And this was the only conversation I had with Vidal. He was introduced to me in the hotel by Owen.

Q This was in the lobby where, in Miami?

A In the Holiday Inn, Brickle Point.

Q What were you doing there?

A We were having a meeting there. Ambassador

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Duemling was there. We would have meetings in Miami with the resistance leaders, particularly the logistics people, the accountants, and some of the political leadership of the resistance.

We had Ambassador Duemling, myself, and one or two other people from the office, Kevin Whittaker, a political officer, or Phil Buechler, our field operations man, would go. We were all there at that time.

Q Did you ever tell Duemling about -- first of all, about this statement that was made about Owen and Vidal?

A I don't remember telling him then. I think I told him much later, when things began to come out, because I felt it was not substantiated and I thought it was a little scurrilous at that point. And this fellow who told me, you know, I know that he was a reporter who has dealt with a lot of police staff, and I didn't doubt his word, but I wasn't sure, like so many things in Miami.

But I did bring it to Owen's attention, and I also brought it to our political officer, I believe, Kevin Whittaker. I mentioned it to Whittaker. I said, this guy is supposed to be a skunk.

Q Did you ever tell Duemling about the statement that had been made to you, or allegation, about Owen and

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Calero in San Francisco?

A That was later, and I believe I did. And I think it was in the contest as things began to come out in the press about Owen. I think it was in the larger context of all this reporting that was coming out about Owen.

Q What time was it that you talked to Duemling about it?

A I'm trying to remember. I don't remember if it was right before I got sick or right after. It had to be the beginning of May or the middle of June. I don't recall. I know certainly it had to be, at the latest, the middle of June when I came back, because I was out six or seven weeks in that whole period. May and June virtually I was out.

So I think, if anything, it was late April.

Q Did you know or have any information in any way that when Owen came back from a trip in Central America during the time he was working with NHAO that he would file two separate trip reports, one for NHAO and one for Oliver North?

A No, I did not specifically know that. But I assumed that he reported to North, because of his continuing conversations with me that he saw Ollie. So I didn't know what nature these reports took, whether they

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were oral or written.

Q Did you ever ask him what it was he and North were discussing?

A Yes. He told me he was telling him how he saw the ground situation in terms of where the movement was going. And I feel that he led me to believe, anyway, that it was all to do with his criticism of the FDN's treatment of the Meskitoes and the Creoles, that they were not getting a fair share of the supplies.

Q Beyond political discussions about political problems, did he ever tell you or did you ever know that he and North were discussing specifically military matters and what to do about the provision of military weapons to the contras?

A No. No, I never knew that. I only began to suspect that after the [redacted] began to realize that he may well have been involved in something beyond what he in NHAO had originally thought him to be, purely in the medical aspect of things.

Q Did you ever hear any information that Robert Owen was being used by Oliver North [redacted] and our cash payments to various contra leaders?

A No. Again, the first time I heard that was in the press, the same Associated Press reporter that asked me if I knew that -- he described him as a bag man, and I

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said I did not know that.

MR. BANDUSEN: Do you have a time period for that?

THE WITNESS: Spring. It must have been March or April of 1986.

BY MR. SMILJANICH: (Resuming)

Q [redacted]

A [redacted]

Q First of all, how many trips did you take to Central America during the whole time from August of '85 to August of '86?

A I took the one [redacted] Then I took the one I mentioned earlier that we went by U.S. aircraft and we returned the same day in December.

And I did not take another trip with NHAO to Central America.

Q Did you have any other trips to Central America that were separate from NHAO?

A No. During that period, no, from August to August.

Q August to August, '85 to '86, you were in

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Central America twice?

A Let me make sure. September -- December we couldn't go down and I didn't go because Ambrosio, Ortega, and Ambassador Duemling went. I don't remember another trip.

Q Have you been back since?

A I have been in my capacity in public diplomacy, deputy coordinator for public diplomacy.

Q [redacted] what was the purpose [redacted]

A [redacted] it was to discuss with the embassy [redacted] as to how we would be able to deliver our non-lethal supplies, as stipulated under the legislation of 1985.

[redacted]

[redacted]

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[redacted]

Q Let me get to the point here. Is it true that one of the conditions that was placed [redacted] on this program was that NHAO was not allowed [redacted] itself to monitor receipt of material coming [redacted]

In other words --

A Yes.

[redacted]

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Q [redacted] the Agency, and they were specifically excluded from any involvement with this program?

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A Correct, except subsequently the Select Committees of Congress allowed the Agency to do verification.

Q As it turned out, it was the Agency personnel who took on as part of their duties monitoring receipt of these goods?

A That's right. And we received field intelligence reports telling us -- basically verifying receipt of supplies.

Q Okay. Now, you mentioned one RIG meeting that you attended that I asked you about in connection with the hiring of Rob Owen. How many other RIG meetings did you attend?

A I remember one other one. I may have gone to a third one, but I do remember one other one.

Q What was discussed at that?

A After my return from Honduras, the next day I was told to report to Ambassador Abrams at the assistant secretary's office. [redacted] and what I did was basically report at the RIG [redacted] as I have described to you in my last discussion.

[redacted]

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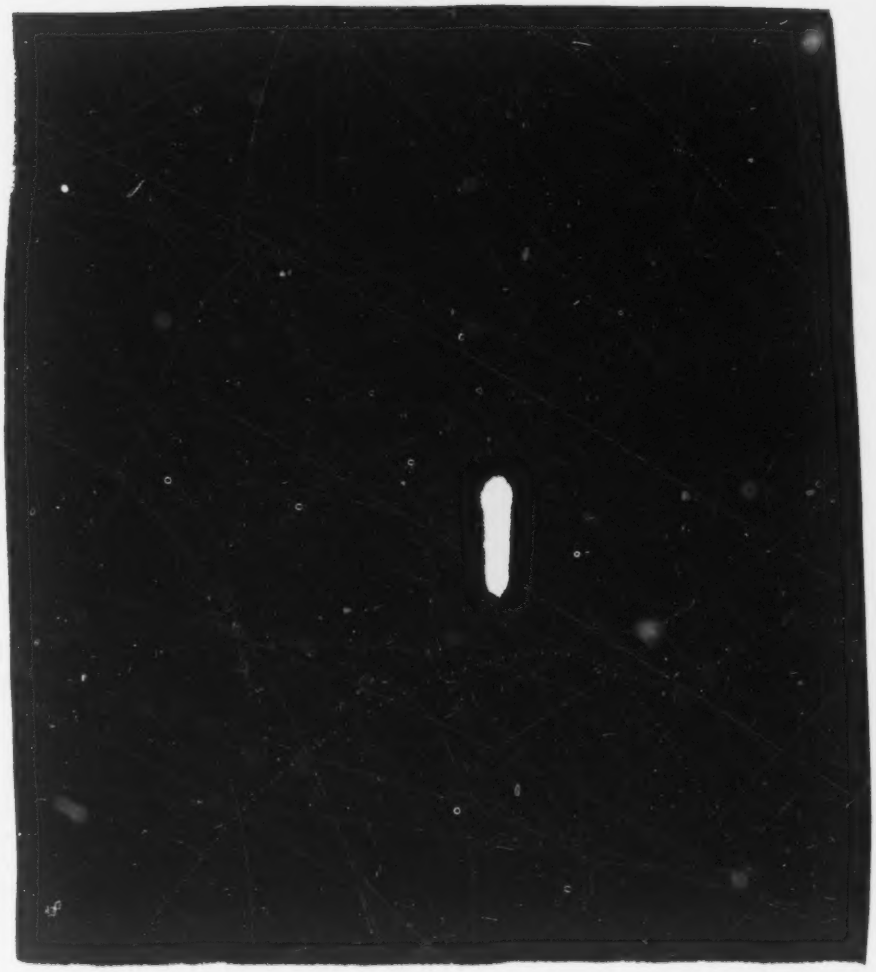

A Early to mid-February '86, right.

Q During that interim time period, there were

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some flights to Central America, weren't there?

A Not paid by NHAO, except one, and that was not an NHAO flight per se. That was a flight paid for by a Mr. Gary Bennett of Fort Worth, who shipped a lot of donated medical supplies and clothing to the Meskito Indians. He had asked our office on repeated occasions to help and we had not been able to help him.

He contacted his Senator, Senator Bentsen, who was a member of the Select Committee, and the Select Committee asked us if we could in fact pay for this. And it was discussed in a RIG meeting that I did not attend. I believe Ambassador Duemling handled that and got approval to pay for this.

I think I was asked by Mr. Walker and Ambassador Abrams informally outside of a RIG situation, and I described the Gary Bennett project. And also, Senator Bentsen's people also were inquiring and they had the information.

And it was approved, and we just paid for that one flight into the Meskito and he was able to get it in, I might add, where ours were not. And it went directly to the Meskito Indians.

Q Inside Nicaragua?

A [redacted]

Q How did Dick Gadd first come to your

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attention?

A I never met the man. Mr. Gadd I have never met. I knew his name because it was discussed by Ambassador Duemling and Mr. Bueschler, Phil Bueschler, was the one that dealt with solely and wholly with the contracting of air carriers. I did not get involved in any aspect of that.

Q You were not involved in the hiring of Air Mach?

A Air Mach or Conners, none of them. So I would have to tell you that I'm not familiar with the details of that, except that I knew that Mr. Gadd was one of the people that was rendering some service.

Q Do you know how he first came to the attention of NHAO?

A As I recall, and this is my best recollection, is that Mr. Bueschler, subsequently I think Ambassador Duemling, he was -- I don't know whether the resistance -- It was Mario Calero, because I know Mr. Calero, Mario Calero, dealt with Phil Bueschler -- if it came through Mr. Calero or if in fact it was suggested indirectly, he just turned up with a recommendation either by Colonel North or the Agency.

I really don't know.

Q Did you --

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A My impression is one of the three, but I really don't know that.

Q Did you during the time that Air Mach and Gadd's company had a contractual relationship with NHAO, did you know that there was any connection between Dick Gadd and Air Mach and Oliver North?

A No, in fact I did not.

Q Did you know that there was any connection --

A I knew that he, Mr. North, knew him, knew about him. Not that he told me, but Ambassador Duemling led me to believe that in fact North was aware of the Gadd connection and had something to do with it, but I don't know how.

Q Okay. Did you, prior to a time when some individuals came to your office to complain about Air Mach -- and I'm going to get to that in a moment. Prior to that time, did you have any information that General Richard Secord had any connection with Gadd, Air Mach, or any of the contra supply efforts?

A No, except that one time I was with Rob Owen in the winter -- as best I remember, we had stopped off at Ollie's office, and I don't think we saw Ollie that day -- no, in fact I correct myself. I think we did see him, as I remember.

It was a very brief meeting and we really

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weren't able to really talk to Ollie. And then I remember that -- maybe it was the spring. I don't remember the time frame. But I do remember that he said that he had to -- there was a death threat on his family or him.

Someone mentioned it. I don't remember whether he said it or Owen said it; and that he had to take his family out to a Mr. Secord, Dick Secord. It did not click to me that it was General Secord, because I didn't know anything about him except that I vaguely remember some press reports. I was overseas in the period of '83.

That he had taken his family out to his house, something in that context. I don't remember exactly how it came out, but it was the fact that somebody mentioned that he had a death threat or his family might be threatened, something to that effect.

But it wasn't clear to me, was it he or the whole family. And it wasn't clear to me who Mr. Secord was. But I believe that was the first time that I heard his name.

Q Okay. Now tell us about the time when three individuals came to your office to complain about Air Mach?

A They didn't come specifically to complain

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about Air Mach. They came -- these individuals, let me first state who they are. It was a Mr., I believe, Ed Dearborn, who identified himself as from TransAmerica, some air cargo service on the West Coast, and Mr. Gene Wheaton, and a Mr. Carl Jenkins.

And I was never certain what their relationship to TransAmerica was, but they all seemed to be like either pilots or cargo handlers. That was the impression I had. They worked for Mr. Dearborn on some contractual basis.

They came in primarily to ask -- they just stopped into the office over in Rosslyn to ask about the fact that, why couldn't they get some contract that was being given to other people to ship things down to Central America for the contras.

And I told them that it was already established and this had been done in coordination with the resistance, and there was no need for any other contractor at this point or cargo handler. That was my impression.

Ambassador Duemling was not in the office that day when they came. So I told him, the most I could tell him was that. If there was a need, certainly we would let him know.

Then they went on to say that -- it seemed

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that they mentioned that Air Mach and Gadd had this whole thing wrapped up, and it was only for their sort of exclusive contractual purposes, and why were they getting all the business? And they thought it was unfair.

And then they went on to say that we should be aware of the connection of Mr. Gadd to a Mr. Richard Secord. And then he asked me if I knew who Mr. Secord was, and I said no. And then he said, General Secord of Wilson-Terpil, I believe is the way he stated it, the Wilson-Terpil episode.

And I said, I had not been in the States, but I had read something about that. And he said, well, Secord had something to do with this. He mentioned names like Kleins and Shakley, which at that point didn't mean much to me at that point. Neither did Secord, quite frankly.

But he said, Mr. Dearborn claimed that these were all friends of Mr. North, and Gadd was a friend of theirs, too, and that this thing had been cooked and that's how they had gotten these contracts; and this is what it really took to get contracts from the NHAO office, that you had to know North. And that was basically his complaint.

I told him I would look into it, but it seemed to me that I wasn't the one to decide it. That was

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Ambassador Duemling.

I subsequently later mentioned to Duemling, Ambassador Duemling, that like so many other groups that came in to ask for business -- we had several consultancy groups that would come in and ask us to be the medical consultants, people from Washington and outside that would call us, that would be recommended by members of Congress -- and I thought this was one more.

And I mentioned it to our political officer, Kevin Whittaker. And I believe Kevin may have sat in -- and I don't recall this specifically -- the end of this conversation.

But nonetheless, it was mentioned in the context that we had one other bellyacher that had come in to complain about why they weren't getting contracts. I don't recall exactly if then or later, in what context I mentioned it to Ambassador Duemling that they mentioned Secord, because it didn't sink in at that point on me what exactly this connection was, until much later as press allegations began to be leveled.

And then it was only in either May or June of 1986 when one journalist came and told me that he was covering the Middle East and he said there was a connection of some Middle East money and this group of people and possibly the NSC, and if I knew anything about

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it.

And I said that I didn't, but it was interesting that I had heard this from Air Cargo.

Q Had they mentioned a Middle East connection, those three people?

A Yes, they did. They said exactly, to come back, they mentioned something about money coming from the Middle East. But they weren't specific. They did not give any specifics.

Q What did you take them to mean when they said money from the Middle East? You mean to finance the operation?

A Yes. I just assumed that they were getting money to finance it.

But at that point, you see, my problem with them was that they were very vocal about the fact that they did not get the business, and that was their basic concern. And I thought that they were basically using this or exaggerating or inventing, I wasn't sure, saying all this to discredit these other people so that they could get the business.

Q Well now, you say that you had other people that would come in to ask, why couldn't they get this contract or that contract. You didn't have many people come in and drop names like Wilson and Terpil and people

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who used to sell arms to Ghadafi and all that. That was rather unusual?

A Yes. But it didn't register, as I said earlier, on me who these people were, because as I said, I wasn't in the U.S. when this scandal came out. It was a vague thing to me that I had read before, who these people were.

Secord didn't mean anything to me. Only when he mentioned Wilson-Terpil, I remembered them. But he claimed that he was involved with them. He suggested that Mr. Secord might be involved. He didn't say he was.

Q How soon after the conversation did you mention it to Ambassador Duemling?

A I don't remember. I don't recall that specifically, how soon.

Q I mean, within days or weeks?

A It may have been days. I don't remember. He wasn't there. We discussed it in more detail months later, because then I felt, as press allegations came out -- it was only months later that we discussed it in more detail.

Q But I mean, the original discussion with Duemling?

A It didn't get into the details, like later.

Q Did you mention to him --

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A Because I basically focused on the fact that they were very irate and that they had come in complaining that they didn't have any business.

Q Did you mention to Duemling that they had dropped Oliver North's name as somebody that was involved in this?

A I don't recall that. I may have, but I don't recall that specifically.

Q When these people talked to you, where did they say that they were getting this information from? How did they know what they were talking about?

A They said they had flown all over the world and they knew who these people were, and that was it. They really said this at the end of the conversation before they left. They sort of hemmed and hawed, and I couldn't figure out what they were getting at, because basically they kept reiterating the fact that they were not getting business handling cargo.

And it was only toward the end that they mentioned -- basically, the way I recall Mr. Dearborn stating it, or it may have been Mr. Wheaton -- I don't remember which of the two, saying North is involved in things he shouldn't be; I don't know what he's involved in specifically, but he's got all these friends and this doesn't make sense.

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Q He didn't say where he got this information about North?

A No, he did not, and I didn't ask him, except they kept saying that they knew people in the trade of cargo handlers and all this other business, which they were, so I suspected.

Then I did mention it to Owen. I said, Owen, what do you know about this.

Q How soon after?

A Maybe a week or two later. I don't remember exactly when, but it was not like immediately. Some - weeks later I said, you know, these guys came in here, I don't know what they're saying, what this is all about. And he said, who is this, Gene Wheaton?

And he knew who Gene Wheaton was. He seemed to know who they all were, [redacted]

Q Had any of these people mentioned Robert Owen?

A No, I don't recall that.

Q Why did you discuss it with Robert Owen?

A Because I wanted to know, because they mentioned Ollie's name.

Q And because they mentioned Ollie's name, you

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knew that Owen was very close to Ollie and --

A It was only about two or three weeks later, I said, this is a weird conversation; what did these guys want? They were bad-mouthing everybody, and they came in here bad-mouthing the people who had the contract.

Q What did Owen say?

A He smiled again. Rob was a very noncommittal guy. He never would say yes or no. You were never sure exactly what that meant.

But the only thing he described: Oh, Gene Wheaton, he says, oh yes. I couldn't remember the first name and he corrected me, or maybe it was Jenkins. I've forgotten which of the two. And he said, oh, yes, well -- I don't know which of the two, but they go way back. And apparently, he didn't go way back with them.

[redacted]

Q He didn't say anything, though, like, absolutely none of this is true?

A No, no, no. He just said they are just bellyaching because they're not getting the money; they have to come in here and bad-mouth people. I don't remember him confirming it or denying it or anything. He sort of laughed it off as guys who wanted a piece of the

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action. That's how he put it.

In hindsight, you know, it makes sense, when you follow all this up.

Q These people were -- I know this happened toward the end of the conversation. But they were very blunt about this group of people? I mean, they called them scum and words like that, didn't they?

A Yes, they used words, pejorative terms, when they referred to Secord.

Q Now, you mentioned a previous connection with Mario Calero. Did one of them have a previous connection to Mario Calero?

A Mr. Dearborn said he had talked to Mario. And in fact, now that you mention Mario's name, I'm not absolutely certain, but I remember that Mr. Dearborn showed up in my office, I think, by the suggestion of Mr. Calero. I'm not sure -- Mario Calero.

Q In other words, they were there to see you?

A Apparently. [redacted] And Mario was the head of the logistics for the FDN, and my impression was that Mario may have recommended that they see me about a possible contract.

Q Were they there to see you or were they there

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and you talked to them because Duemling wasn't there?

A I don't remember that. Maybe Calero didn't mention me specifically, but my impression was that Calero told them to come see us. But I know that Ambassador Duemling wasn't there.

Ambassador Duemling usually asked me to see people like that, that came in the front door, sort of the walk-in traffic, soliciting contracts. And he just had me talk to them and get rid of them and said, look, that's not the way we operate.

Q Did Ambassador Duemling say anything about why Air Mach continued to be used by [redacted]HAO?

A No, he never really mentioned that to me.

Q Did Duemling ever indicate to you that [redacted] asked him to continue to use Air Mach for a little bit longer before terminating them? Did he ever tell you that?

A No, he never did. I don't recall him telling me that. He obviously told me that, or at least he suggested that, [redacted] was happy with -- well, the resistance and the people that were dealing with him on this.

And I don't know who was dealing with him on this, quite frankly, because he dealt exclusively with Phil Bueschler. I was never asked, as I stated earlier,

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to deal with the cargo carriers. So I don't know, to be honest with you, to get a read of what [redacted] may have told him or not have told him in terms of extending Air Mach's or any other carrier's contract.

Q Between -- first of all, this conversation when these people came into your office, I'm sorry, tell me again approximately when was that?

A February, March, in there.

Q During that time period, did you ever have any face to face discussions with Oliver North?

A I may have seen him. Yes, I'm sure I saw him, but not on this matter.

Q What about telephone conversations during that time period?

A I talked with him very little. I did see him because -- it must have been February, March. I don't recall the period. We had breakfast maybe three or four times, once at the Hay-Adams and then the rest of the times at McDonald's near the White House because I couldn't afford the Hay-Adams.

And we were joined by William Walker and Lieutenant Colonel Gerald Clark, who is now in Honduras. And basically, we discussed the policy, and basically the discussions were around the fact of how was the vote going to come out in Congress that spring.

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Q Did you ever mention to Oliver North the allegations that these people were making?

A I did not.

Q Okay. Now, frankly, I don't understand that. If you were at all familiar with Oliver North and you have a group of people in your office that are connecting him up with a group of crooks that were once involved in selling arms to Ghadafi, I don't understand why you wouldn't mention to North: Hey, you know, people are dropping your name around town and saying you are connected with the Middle East and Secord and all this.

Why wouldn't you mention it to him?

A I don't know. It just never occurred to me, frankly. I guess you would have to have been in the situation. The personal vibes with these people, they were just so -- the way they came on so strong because they wanted business; that my sole focus was that these people, all they wanted was business and they were ready to bad-mouth anyone so that we could give them the business.

That was basically it. And I guess that was a turn-off, and I didn't place the importance in hindsight. I agree with you, it makes sense. But at that point the reaction I had, the personal reaction I had to the way they came on about complaining about why they didn't get

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the business, and then the way they went about it, they were very oblique and they weren't sure -- they would look at each other, and the body language and the conversation -- I was turned off.

Q Tell me briefly about the call you then got from, I believe it was, Newsweek, later on about similar allegations?

A It was, as I said, early, I think it was June. I think it was June of 1986. A Newsweek reporter, two Newsweek reporters, visited me. I had known them because they used to cover Central America, and one of them was now covering the Middle East.

He said he was on his way out to California to see some people and he was around Washington talking to find out if there in fact was a Middle East connection to this, to the NSC. And he claimed that there was. And this was when he raised -- this is the second time I hear this.

It must be around middle or late June of 1986, that he thought that he had picked up something in the Middle East and elsewhere that suggested that there may be some involvement of Middle Eastern money. And he mentioned the name Secord and he mentioned -- I don't remember him mentioning Shakley and Kleins, but certainly he mentioned Secord, and that the NSC might be involved

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with that.

He asked me if I knew and I said no. And then I said, as a matter of fact, you're the second person who has ever raised this. This is the end of June 1986.

Q Tell me about General Singlaub. When did you first meet him?

A General Singlaub I met, I believe -- I'm almost certain now -- twice. He came to my office. Once was -- I take that back. He came to my office once and called me a second time. I think it was a series of two or three phone calls that same day.

The first time he came, he came -- and I don't recall the dates, but it had to be also in the March-April period, in there. And he came and he told me that he had been sent there by, I believe it was, Adolfo Calero to find out if in fact NHAO could buy aircraft to ship non-lethal aid.

And he claimed that he had found one used C-130 in Arizona, and perhaps we could use that, NHAO, but the resistance would acquire it and we would purchase it with the $27 million.

I told him that, because Ambassador Duemling had told us all that they had consulted prior to all of this, the ability or the permission to buy aircraft, and they said no and the Select Committee said categorically

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no, when they gave us permission to buy vehicles, land vehicles, trucks.

So I explained to him that we could not under the provisions of the legislation and the consultation with Congress, so it was not possible. And then he basically explained to me how it would be beneficial to the contras.

I explained it later to Ambassador Duemling, just told him. I gave him the explanation and Ambassador Duemling was satisfied.

Q Did you reject the idea then and there in your meeting witn Singlaub?

A Yes, I said we could not do it.

MR. VANDUSEN: What was the time frame?

THE WITNESS: March-April. I'm not certain.

BY MR. SMILJANICH: (Resuming)

Q Now, there is -- and I don't have it with me. There is a memo that was prepared of that particular meeting. And as I recall that memo, it relates that what General Singlaub wanted was -- well, can you -- I don't want to -- if I tell you --

A I'll tell you the phone call. Maybe it relates to the phone call. The phone call was later and I believe that was in the summer. It was June, July. It may have been July, at the beginning of July.

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Q Excuse me. Let me stop you. Are you going to start talking about the Lady Ellen helicopter?

A Yes.

Q No, I don't want to talk about that yet.

On the C-130, do you recall how General Singlaub was suggesting that the plane be paid for?

A Yes. I believe he asked us that we pay for it out of the NHAO money.

Q Do you recall him saying something about a million dollars? I forgot what the memo said.

A I remember that it was in the order of a couple of million dollars at least, the cost. I don't remember the exact amounts.

MR. VANDUSEN: It said $2.5 million was the cost of the plane, but he wanted a million dollar down payment.

THE WITNESS: Yes, that sounds like something he would have said. I don't remember exactly how he would have said that, but I remember it was 2, 2.5, the total cost.

But I just rejected it out of hand, because I knew that we could not purchase anything like that remotely.

BY MR. SMILJANICH: (Resuming)

Q Tell me now about this telephone conversation

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with regard to the helicopter?

A I believe it was June or early July '86, he called me -- before he called me, I will tell you what happened. In the morning I got a call from Nestor Sanchez, the deputy assistant secretary of defense, who said that Jack Singlaub would either be coming by or to call me.

And I remember it was a telephone call, and it was basically, the problem was that the Lady Ellen had been detained by Customs in McAllen, Texas, because there was some problem that did not satisfy the Customs people in terms of the export of this aircraft, because there were some hard points -- I believe that was the term he used -- on the aircraft, and there had been some modifications made to this helicopter.

And Customs was holding it in McAllen, Texas. And he asked me if in fact I could make a phone call to be helpful and explain to Customs that this was for humanitarian aid from the State Department's Office of Nicaraguan Humanitarian Assistance.

I asked him why he couldn't do it. He said, first of all, it was DOD and after all it was in the scope of humanitarian aid, that it would be used as an ambulance. It had been described, actually, by Adolfo Calero prior to this, because Adolfo Calero had asked

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Ambassador Duemling to pick up the repair tab on this or the modification tab or something to that effect, and Ambassador Duemling had said, no, we couldn't deal with aircraft like that, we couldn't pay for anything like that.

So when Nestor told me that Jack would be calling me, Jack Singlaub, I said fine, but I don't know why I have to do it. He said: Well, you know, you can do it as a favor.

Well, General Singlaub called and said, I believe, can you help us. And I said: Well, I'm not certain we can do anything, frankly; I'm not certain if the State Department has a role in this.

Ambassador Duemling wasn't there at that time. I think he was out that day. So then I wondered about this, and I placed the call to McAllen, to the Customs people, just to find out what was the circumstances before I proceeded.

I then called Bill Walker and advised him that I had this phone call and I wasn't sure what to do. And he said, well, find out more about it before we proceed. In the meantime, I said, well, you know, this thing is a little bit too wacky, and so I called North.

And North didn't return my call right away, and when he finally did it was maybe a few hours later,

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something to that effect. In the meantime, I had placed a call to Customs based on my conversation with Nestor and Bill Walker and of course Singlaub, and then I called North.

I said: What do you know about this thing? And he said: Who asked you to do this? And I said: Well, frankly, Nestor put it on me, and then Singlaub called me. And then North exploded. He went into a bunch of unmentionableness, describing Mr. Sanchez' competence and his political sense.

And he said that he should never have involved the State Department in this, what was wrong with Nestor, and not to get near this thing because it was not a question of something the State Department should do. And then at this point he told me, he said: Frankly, I don't want to discuss this because I have my own -- that's the first time I ever had any indication that he might have a legal problem.

He said to me -- in fact, I believe that was the last conversation I had with Oliver North on the telephone, was in July, I believe, late June or early July.

But he said: Look, I can't even begin to get into this, because I am under legal counsel, I think he used the term, not to even discuss these things, and get

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away from these people because they're going to get you in trouble; and Nestor should be damned for what he did.

Q He was also mad at Singlaub, too?

A Yes, both of them. He was mad at both of them for doing this and bringing the State Department into this.

So then --

Q Before you leave the conversation -- are you going to leave it?

A I was just going to say, what happens when the Customs guy calls me -- the Customs guy calls me and he asked me what was the problem. And at this point I just said: Look, I'm from the State Department, identified myself, and as I recall I said to him: You know, I called about this helicopter.

And he said: Well, we've got it; what about it? And I said: I just wanted to know; I really have no interest in it at this point. And I thanked him for returning my call, and that was the end of the conversation.

Q Now, going back to your conversation with North, why specifically was he upset with the fact that Nestor Sanchez and Singlaub were asking you to make this call to Customs?

A He did not want to elaborate. He was very

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curt and terse, and the only thing -- he was very angry, and he said he could not discuss things because of his own legal situation with me, and that was it.

And he said: I can't tell you anything, what to do. He was furious at the fact -- or he just told me to stay away from them. He thought this was totally ridiculous, that they had called the State Department to ask them to bail them out on this question.

Q Did you have the impression from that that this helicopter must have something to do with non-humanitarian purposes, because of North's comments?

A No. Then I got back to Walker and I said: You know, this thing happened; North is furious. And I don't know whether North ever raised it with Nestor later. He said he was.

The only thing I knew, because it had some hard points on it there was a question of Customs and the Treasury people to determine, and State was not to get into this because it was obviously -- if in fact it was determined it had some hard points and State was in it, I think that was the impression I got, legally we might have a problem.

MR. VAN DUSEN: I'm just curious. Was North mad at the fact that you were dealing with Singlaub? Was he mad at the fact that this helicopter had hard points?

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THE WITNESS: No, no. He was just mad that they brought it up with the State Department and called me, that Nestor and Singlaub, particularly Nestor, he was most -- he took it out on Nestor Sanchez mostly. He should have never asked me to do something like this.

BY MR. SMILJANICH: (Resuming)

Q Okay. Let me move on to another subject here. Did Felix Rodriguez ever describe for you the particular meeting he had with Don Gregg at the Vice President's office?

A Yes. I don't remember -- I think it was when he first came to Washington, that time he visited me, the first time he visited me in Washington. When he called me, he told me he had been at the White House and had a meeting with Don Gregg, and he had met with the Vice President.

Q What about in late 1986? Did you ever hear from Felix Rodriguez that he had had a meeting?

A He called me to find out how I was feeling, and he said he had been at the White House and had had meetings with Don Gregg, his friend.

Q Did he say why he was meeting with Don Gregg?

A No, he did not.

Q Did Oliver North ever talk to you about any complaints Felix Rodriguez was making to the Vice

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President's office?

A He never mentioned it to me, except the only time I saw Oliver North mention or do anything with Felix Rodriguez was the time we were in El Salvador, when he asked him to leave the room.

Q Did Oliver North ever tell you during any of your association with him that he had -- strike that.

You just mentioned when you talked with Oliver North about this Nestor Sanchez-Singlaub matter that he mentioned having gotten legal counsel?

A He did mention that to me, and that's why he couldn't expand. The reason he mentioned that was because that's -- I don't want to continue this conversation with this sort of topic.

Q Did he put a name to the legal counsel?

A No.

Q Did he say it was White House legal counsel?

A No.

Q Intelligence Oversight Board?

A My impression was it was personal. That was the impression that was left.

Q But he didn't say that, did he?

A No.

Q He didn't say it was a private attorney?

A No, he did not use the word "private" or

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anything like that. He just said by advice of legal counsel, something to that effect.

Q Did he at any other time ever tell you that he had obtained opinions from lawyers that his activities in Central America were legal?

A I'm trying to remember when he may have said this. I know he said it to me at one point. He said -- Ollie said at one time to me, and I don't remember if it was at the beginning or later on in one of the conversations, or it may have been at breakfast, he says: Hell, before this is all over I may be well in jail, something to that effect, but in a teasing way. He said that in jest, saying things like that.

Q What impression did you have as to what he might be doing that he would be making such a comment?

A I really don't know.

Q I mean, if I were having lunch with you and you said, well, I may go to jail some day, I would think, well, I wonder why.

A Well, it was very clear, you know, when we dealt with this issue of NHAO and the way we conducted this operation, it was overt and we knew there was another side of the house. Somebody was doing it. We were told it was not the CIA, except the verification, because they couldn't do anything with it.

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We knew that it was not any agency of the U.S. government as far as we knew. But we did not ask because it was very compartmentalized, and Mr. Calero would just tell us that he had money from different sources and he had friends that were helping him.

My impression, particularly in the initial part, initial phase of NHAO, was that North helped getting fundraisers or benefactors. But I didn't know who they were. I always suspected because I had a lot of political types would say, oh yes, North spoke out at a certain place in Texas or California.

So I thought it was just basically that he would brief people on Central America and these were fundraisers. But I did not know the dynamics or anything like that.

[redacted] the only one who [redacted] that with us, and in very general terms. He said that he had benefactors in the U.S., it was private funding. And my impression was that Colonel North helped him in some way, but it was never clear to me how.

And so it was always sort of understood that there were areas you didn't ask about. It's like dealing with anything in the intelligence community. You know, it's compartmentalized, it's a need to know basis. This

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is the way we were treated, too, in NHAO, on a need to know basis.

Q So for all those reasons, that's what you thought North might be referring to when he made a comment about possibly going to jail?

A Yes. When he said that, I didn't know whether he was lying or what he was doing. Obviously, I may by then have known of the allegations made against Rob, and of course I knew of the initial reports on North in the summer of '85. I had read those, and it insinuated he was doing more than fundraising.

But it was never clear what he was doing. And certainly I never had a discussion about those mechanics with him.

Q Did you ever hear in the fall of 1986 that certain groups of private benefactors were looking to see if their assets could be purchased by the Agency with the new aid money that was coming into effect?

A I did not. I never heard that. I never heard that.

Q One last thing. In connection with the RIG, you have talked about two RIG meetings you went to, and I think you said there might have been a third?

A There might have been a third.

Q You don't recall what was discussed at that?

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A I'm trying to remember. One was the Rob issue, one was the issue of --

Q [redacted]

A [redacted] I'm trying to remember what the third one may have been.

Q Well, don't rack your brain too much.

A I think what it may have been is the fact that there was impatience on Mr. North's part that the resistance was complaining about our office to Colonel North that they were not getting the stuff fast enough.

I think we were asked to go explain what the mechanics were, the problems we were encountering.

Q How many people averaged being present at these RIG's?

A The one that I remember was almost full-fledged was the one I attended [redacted] and I remember distinctly that was the 4th or 5th, something around there, of October. And it looked like at least a dozen people, ten to twelve people anyway.

Q Okay. Were you ever -- and you understood that the RIG was the Restricted Inter-agency Group?

A Right, the policy. You took up issues up, and when they weren't clear they would consult the Select Committees.

Q Were you ever aware that there was a smaller

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grouping of the RIG composed of just three people, that dealt with very tightly held matters in connection with the contras?

A No. But there was a suggestion that that might be going on, just by the way the people met before and after the RIG. Somebody would go in ahead of time or stay back. That's the only suggestion I had from that.

Q And who were the members of this smaller group?

A That might have been the smaller group. I don't know if that's the one you're talking about, but the only one that I saw would be like Elliott Abrams, [redacted] and Oliver North. But that's not to say that that was the group.

Q I understand. But you saw those [redacted]

A [redacted] might [redacted] the only [redacted] certainly that [redacted] anything.

Q I understand. But let me just add that other people in the State Department have said that there was a smaller grouping, unofficial grouping, and those are the three. And I just wanted to see if you had a similar perception?

A That was my sense, yes.

MR. SMILJANICH: Those are all of my

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questions.

MR. KOJM: I probably have a few.

BY MR. KOJM:

Q At the time of your first trip to the region when you were with NHAO [redacted] did you meet any leaders from the southern front or any Indian leaders?

A Brookland Rivera came to see me, I think in the middle of '83, maybe May of '83, somewhere around there, that I remember. The reason I remember is the officer that brought him to my office left at the end of May, so it had to be -- it was right before he left. And I met Brookland Rivera.

I never met Mr. Faggoth, and Brookland I just met once. He came to my office.

Q Your trip [redacted]

A Oh, I'm sorry. NHAO, the Indians, yes, I met with Mr. Roger Herman [redacted]

Q Did you meet with Negro Chamorro?

A Yes, I did. I met with Negro Chamorro. I don't remember -- I believe I didn't meet Wycliffe until Washington or Miami, but I did meet with Negro Chamorro in the presence of Mr. Carlos Ulvert on that trip, after [redacted] or maybe it was the other way around. I'm not certain which came first.

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But in that same trip, I did meet with the FDN and the southern front people.

Q And the Indian leaders?

A Yes, and one Creole, Mr. Archibald -- no, it was Teofolo. I don't remember whether it was Teofolo or Archibald. The names I confuse.

Q Did Ambassador Duemling ask you to meet with these individuals?

A No. [redacted] arranged for a meeting with the resistance to explain to them how this would work, and I explained to them that it wasn't certain yet if we would have a mechanism. And they gave me their sort of bill of particulars in terms of what they wanted in terms of food.

[redacted]

Q Did you tell Ambassador Duemling subsequent to your return?

A Yes.

Q About your meetings with --

A With the people down there.

Q Okay. Moving up to 1986 and Rob Owen, do you recall ever receiving telephone calls from Rob Owen from the region when he was traveling down there?

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A Yes, he called several times [redacted] I don't remember him calling [redacted] but he called sometimes, because we would leave calls to ask him to come up, that we needed a report, or get back, Ambassador Duemling wanted to convey something or other, particularly in the period when there was concern about how money was being spent [redacted]

And he would speak to me or Ambrosio Ortego or Ambassador Duemling.

Q Do you recall any time urgent matters, why he would call you rather than just not tell you or submit a report on his return, why he would initiate a call?

A Sometimes he would stay later than he was supposed to. He would call and say, I'm not going to be back until such and such a date. That was one of the reasons.

But it was never -- well, I can remember one time he did call from [redacted] was a problem with refrigerators. They were kerosene refrigerators and they couldn't get the kerosene started or the fire started on them. They wouldn't light up.

And he stayed, and he himself took them apart, three or four of them. He called later and said, that's why I was late, or I'm going to be late. I don't remember. It was something to do with that. I remember

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that phone call.

And there were other ones from [redacted] that would just say: I've been trying to get my wife; would you tell her I'll be back on such a day, or something like that.

Q When Rob Owen's contract terminated at the end of May in 1986, did you have any kind of windup meeting?

A I was sick. I was in the hospital, and then I didn't come back until the middle of June. He had met with Ambassador Duemling, so he may have had one with Ambassador Duemling.

I only met him later when he came to lunch. He was already out of the office.

Q When you were out of the office with your illness, do you recall the exact dates that that was?

A [redacted]

Q [redacted]

A [redacted]

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summer.

I remember he was trying to find a job and he had -- you know, his wife was concerned about him. And we would just talk philosophically, in that he felt -- he was very down on the whole prospects of the movement, of the project, or whatever he called it, the contra project, and that it was not going to function because politically it was a mess.

We had long philosophical discussions on that.

Q Backing up briefly here, on your trip in December of 1985, that was a one-day trip?

A Went in the morning, came back that evening.

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[redacted]

Q Okay. Two questions and I will be done. Does the name Elie Krankowski mean anything to you? Someone who works at the Pentagon?

A No. I may have heard it. I don't recollect it at all. I can't put it in a context.

Q And [redacted] whom you mentioned earlier [redacted] were you aware of any contract from NHAO to a member of his family?

A No. A member of his family?

Q Yes.

A No. We had -- well, first of all, there was no contract. What they did, the mechanism, as you well may know --

Q To the bank accounts?

A They would send their invoices through the resistance, and it was vetted through UNO, FDN-UNO. And they were vetted with certain signatures, and that was done. Ambassador Duemling was normally the one who approved all of this.

But it had to be approved by the people under him that vetted this: Ambrosio, Phil, and Larry Dolgoff. And then it was all -- we took their word, because there were just stacks and stacks of receipts in Spanish. And

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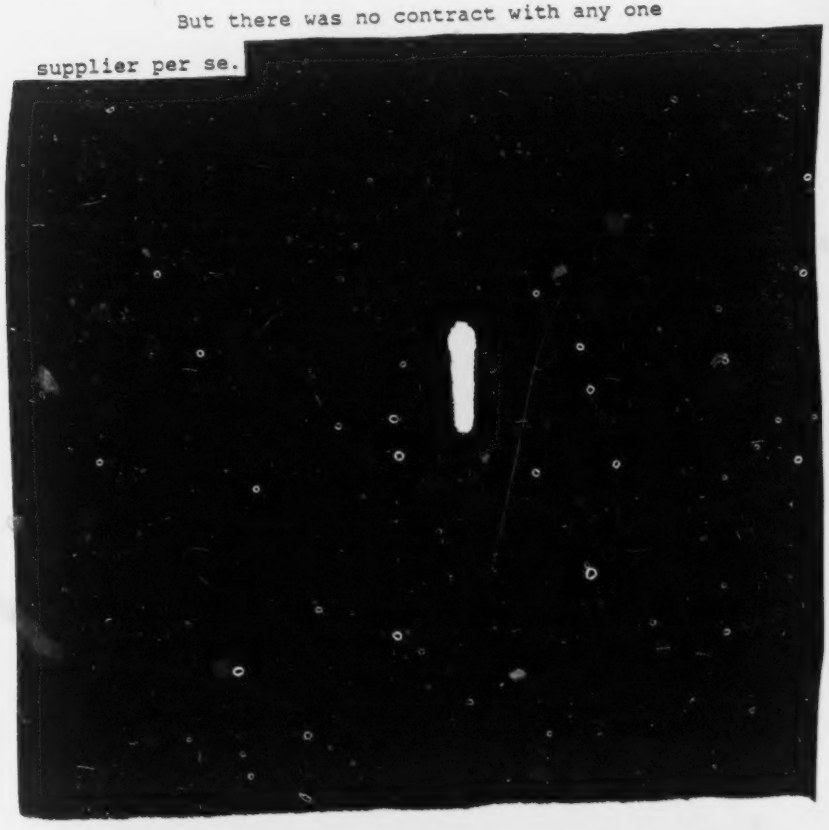
what they would do is bring the receipts up here, and they would vet it and we would figure out how much it was, and then we would pay.

But there was no contract with any one supplier per se.



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[redacted]

But I never knew of any relative --

Q Receiving payment?

A Not from our office.

BY MR. VANDUSEN:

Q Some general questions. Just to start off with, you indicated during the '83 to '85 period at the beginning of this session that you were from time to time acting DCM in the embassy?

A Yes.

Q Was that because there was no DCM?

A The DCM would be -- either the Ambassador or the DCM would be on leave. One of the two would either take a two month leave or a vacation, Christmas vacations or their home leave, which could [redacted] six to eight weeks. And so I was [redacted] rank, foreign service rank, I was the third ranking [redacted].

So I was asked to be the deputy acting chief -- deputy chief of mission.

Q Was your -- in that time frame, your Spanish obviously was the best of anybody in the embassy?

A I would say it was.

Q And although you were public affairs officer, you were also an important liaison for Ambassador Negroponte and everyone else in the embassy?

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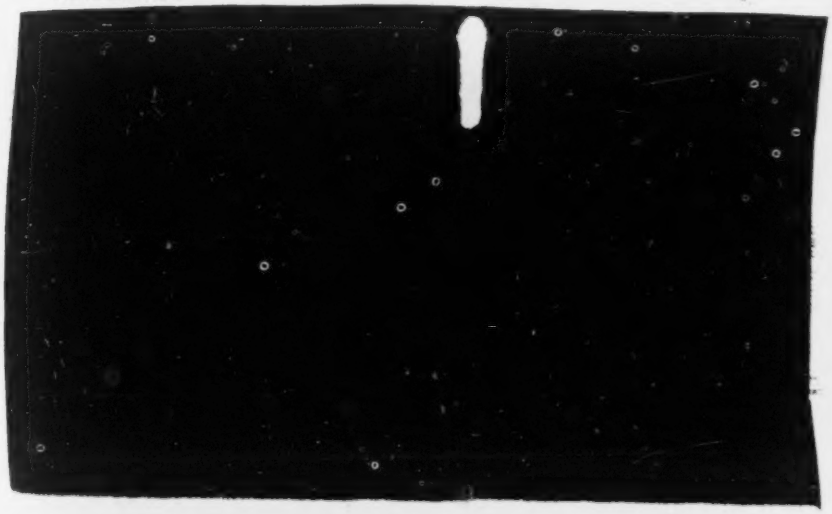
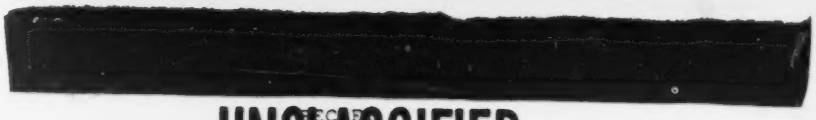
A Yes. That was one of the reasons, I believe, I was asked to stay on. Normally you spend three to four years, maximum of four, but three is at a hardship post like that. Because of my relationship with members, particularly the civilian branch of government, the President and several ministers of government were personal friends of mine that I had known before they were elected or appointed.

And Ambassador Negroponte felt that that was useful in terms of conducting bilateral relations with Hondurans.





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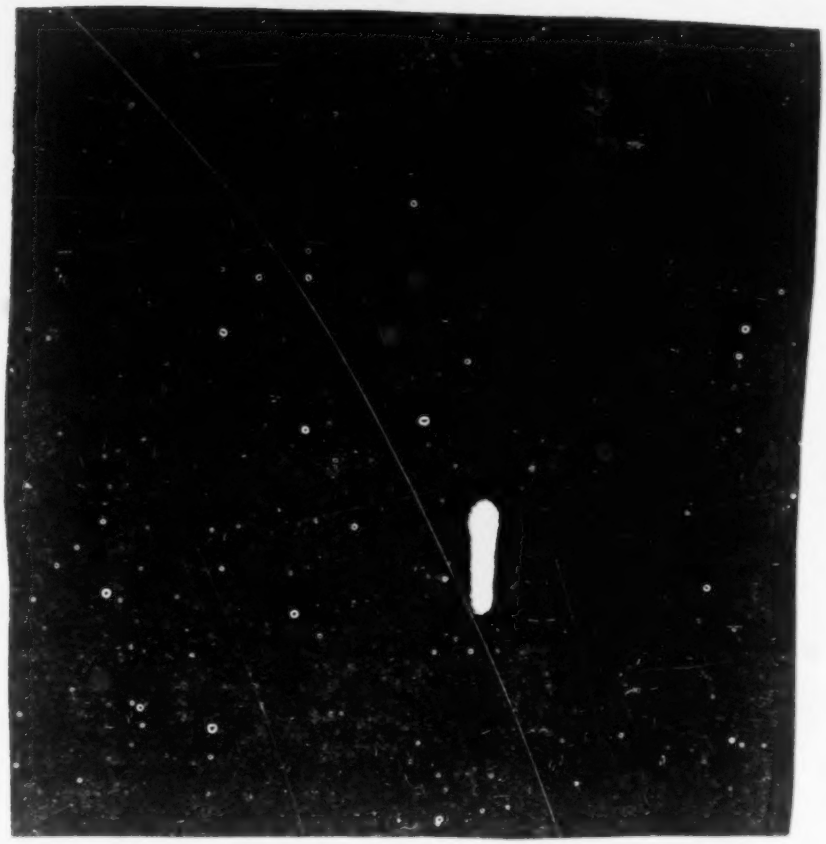

Q I want to focus for a minute, when you came back to this country, on your relationship with [redacted] and North and the Agency while you were with NHAO. You indicated that you met with Oliver North six to ten times while you were --

A I saw him in Honduras, saw him or talked to

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him.

Q Six to ten times. How many times would you guess you met with him after you came back in the year, say, between July of '85 and August of '86, when you assumed the public affairs position? Would you say you met or talked with him 50 times?

A No, no, no. I would say I met with him maybe three times in his office in the White House.

Q Or were in meetings with him?

A Oh, yes. Well then, maybe three RIG's and then that one trip down there, three or four breakfasts -- maybe 20 times.

Q 20 times?

A Maybe 25 times.

Q And you talked to him numerous times beyond that?

A No, he wasn't one to get on the phone and chat with you.

Q I mean, you called him on Singlaub. Did you call him on other occasions?

A Yes. I'm trying to remember -- well, I remember one time after we had the -- I believe it was a phone call that had to do with Rob, whether Rob had -- whether RIG had agreed or Duemling agreed to do it. And I said, well, RIG is going to decide that.

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Q Before the RIG meeting?

A Yes. And I said, look, it's going to be taken before the RIG.

Q So maybe you had between phone conversations meetings with North or meetings, small meetings in which North was present. You may have seen him well over 30 times in the course of that year?

A Seen him, yes, 20 to 30 perhaps, yes. I'm not certain of that, but in RIG's, trips, breakfasts, and meetings where I went to see Burghardt and I ran into him, and I went with Owen, yes.

Q How about the CIA during this period of time?

A The CIA -- Duemling and I went every time, except once I had to go out there because Duemling was not here. But Duemling and I would go out and meet with the Central American task force people.

Q Once a week?

A It would sometimes go once a week, sometimes every two weeks. And that was basically -- it tended to end -- it was very sporadic towards the last three or four months.

Q The last three or four months being April, May, June, or June, July, and August?

A Well, May I didn't go, and June hardly any. I think I went there one or two meetings after May 1st. I

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may have gone to one or two meetings and that was it. And before that it was almost biweekly. It wasn't necessarily weekly.

There was no real schedule on it.

Q [redacted] how well did you know him?

A Well, I have met him once before only, [redacted] in January of '85.

Q And you did not see him again until the December '85 trip?

A I don't remember seeing him until I came to NHAO.

[redacted]

But that I really ever talked to him, that was [redacted] in January of '85. And I did not see him

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again until when I went to NHAO.

Q And then you saw him in RIG meetings?

A I saw him in RIG meetings. I saw him in the meetings I attended with Ambassador Duemling at the CIA quarters.

Q And then you went down with him in December?

A Right.

Q On that trip. Did you see him after that?

A After the trip, yes. I have seen him in the Department in the halls. We have said hello. And then I saw him certainly through the spring of last year, and in the summer it was maybe two times I saw him.

I had not seen him. I ran into him one day when I went for a briefing about two months ago over at the CIA. I didn't talk to him. I went to see one of his subordinates,

[redacted]

Q Now, Owen. How many times in the course of your year with NHAO, how many times do you recall meeting with Owen or talking to him?

A When Owen was in town, he would come in about every other day. He might be out of the country one

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week, one day -- I mean one week out of the month, maybe two weeks sometimes. But at least two weeks out of the month, and he would come in every other day, or he would call Ambassador Duemling.

He would be working with Project Hope or he would have one of the contra doctors up here, and beginning particularly in December, January period, he spent a lot of time with Project Hope, organizing that shipment.

Q But his trips down there, he was taking a lot of trips down there, presumably. Would you say that one-fourth of those trips dealt with NHAO or all of them dealt with NHAO?

A We had trip reports on the ones we paid for. He may have taken other ones that I'm not aware of that he paid for out of his pocket. But right now my impression is that we paid for all the ones during that period that he was on contract to us.

Q Did you pay for all the trips he made?

A My impression is that we may have paid for all of them.

Q You may have paid for all of them. How many trips of his do you think you paid for?

A I would have to go back in the files and find out how many trips.

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Q Do you think it was 15 or 20?

A No, I think it was anywhere from eight to ten. That's my ballpark figure right now, at most.

Q You said that we all had knowledge of what the other side was doing. Your phraseology was, we all know there was another side of the house, that something was going on. When did you start to see that or feel it?

A Oh, about the beginning of '86, particularly after February when we started the shipment. It wasn't clear to me when we started bringing stuff back [redacted] in February.

Q Was it a logistics supply network? Was it offhanded comments about, from people that you dealt with?

A Mostly from the Contras themselves. [redacted] would not give us the specifics, [redacted] avoid arrows to this other operation. But it was never clear to me who was involved. My impression was that Rob knew something about it, but he did not want to talk about it.

Q And yet, in all those meetings you had with him, he never?

A Not once, not once. I must tell you that. Under sworn oath, he never mentioned to me once.

Q Were you surprised at that?

A I wasn't sure at first. At first it didn't

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concern me. In the last six months, because when I began to ask questions about the allegations, the press allegations, and press reporters would make comments about it, then I began to be concerned.

And then Bob was also telling me -- we would discuss, Bob Duemling and I, that in fact he may well have another agenda. And Bob told him and I have told him, and particularly Bob on several occasions, that if there is another agenda and if you become politically embarrassing to us, we're going to have to let you go.

Q Was this in June and July?

A No, this started in the very beginning. Bob told him --

Q This goes back to?

A The very beginning.

Q October?

A [redacted] then it was repeated, and when I first heard it I said: Be careful, you know what the Ambassador has told him -- told you. You know what the Ambassador has told you, that if you are involved in something that is not related to us, you may well be out on the street.

MR. KOJM: When was that?

THE WITNESS: That was when I first heard --

BY MR. VANDUSEN: (Resuming)

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Q Related to that is, when did you first hear about the falling out between the FDN and Owen?

A Oh, I remember that he told me about it in January or February, January or February, that he had a falling out. And then of course, the FDN people, Mr. Mario Calero was making derogatory comments about him, and I would ask Mr. Calero why he felt that way. He said he couldn't trust Rob because he was treacherous, some word like that in Spanish.

Then I asked Rob why there was bad blood, and he said: They don't like me because they think I am against them.

Q Did Owen have the reputation of being North's boy?

A I think that was generally -- yes.

Q Was that part of Calero's problem?

A I don't know if Calero -- Mario never mentioned it to me. He may have to somebody else. I don't remember him saying that in those terms.

MR. SANDUSEN: Chris, did you have a follow-up?

MR. KOJM: The date when you and Ambassador Duemling spoke and when you warned Rob Owen?

THE WITNESS: Well, he told him from the very beginning, October-November, that he told him, I think

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when he discussed -- Ambassador Duemling told me that. I was not present in the first discussion, but Ambassador Duemling related it to me and Rob mentioned that the Ambassador had been very adamant about that, be careful.

That was in the beginning, October-November. I'm not sure when exactly. Then when I heard the first, the allegations of the press, as I recall, when I mentioned to him the AP's suggestion that he was present at some arms deal in San Francisco with Mr. Calero, Adolfo Calero, I said: Be careful, Rob; if this gets out of hand, if you're in the wrong place at the wrong time, you'll get in trouble with us, and this could not be advantageous to any of us.

MR. KOJM: This was in the spring of '86?

THE WITNESS: February, March. I don't remember. Something like that. I don't know exactly the dates. But it was based on what was relayed to me by the journalist from AP.

BY MR. VANDUSEN: (Resuming)

Q During the NHAO period of time, did you report exclusively to Ambassador Duemling?

A I did.

Q You didn't report to anyone else in the State Department?

A Only when Ambassador Duemling wasn't there, to

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Bill Walker.

Q And you didn't report to anybody in any other part of the government except what you reported to Ambassador Duemling?

A I was not ever told to report to the CIA, nor to Oliver North, nor to the NSC, nor to DOD. The only one I saw was Ambassador Duemling and there was Elliott Abrams or his deputy, Mr. Walker.

Q On the three individuals -- Dearborn, Wheaton, and Jenkins -- who came to see you, you indicated you weren't sure when you talked to Duemling about it, but that several months later you had a very full discussion with Duemling?

A Well, with hindsight I remember I said -- in fact, we discussed it several times since then.

Q This was after Air Mach lost the contract?

A I don't remember if Air Mach lost it. My impression was that we just came to an end in May or something like that. It may have been that we didn't give them any more.

Q Strike that. You started up with Mark Air?

A Now that's mixed me up. Mark Air, Air Mach. Gadd is Air Mach and Mark Air -- my impression was that Mark Air was only a couple of times. I don't recall that it was more than that.

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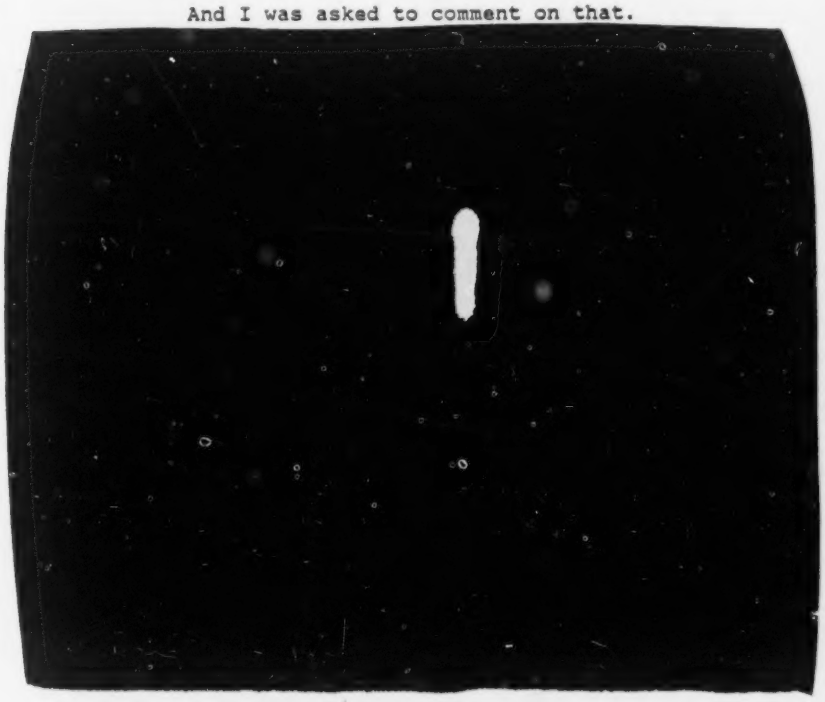
And the only reason that focused on me is a press question, because Anchorage News called me because they had some journalists that were complaining about some operation down there, and they had not been paid and they apparently didn't get the contract, and they made some allegations of what they were doing down there.

And I was asked to comment on that.



Q In terms of the problems that NHAO had, just philosophically looking at that period of time, would you

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say that the logistics mechanism was the most serious problem, the lack of a presence [redacted] the comingling of funds was the most serious problem, the problem of cash transfer, the scheduling of flights?

A I think the most difficult thing was, one, our inability to monitor, our office to monitor on the ground continuously. By the time we were able to get someone on the ground, it was the end of February. Ortega had only three or four trips. That was nowhere near enough.

So during that period when we weren't able to get our stuff from the States, that's when a lot of the stuff was bought, December, January, and most of February, virtually all of November, December, January -- almost four months.

A considerable amount had already been bought in country to the [redacted]

Q That was not related to this?

A [redacted] That made it almost impossible to have a very effective accountability of this.

The other thing was the lack of dedicated bank

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accounts with suppliers. I think we should have been much more centrally controlled, where you could see money moving from the States to the region, that you could account for it.

I think those are the two fundamental flaws in this program. Both really were limited as to what we could do.

Q Comingling of funds?

A Comingling, because you didn't have the dedicated accounts. It happened.

Q And you saw that as a serious concern?

A Yes, and we raised it and the GAO raised it with us in January. They said, you know, this -- they did not put an ultimatum. They observed it to Ambassador Duemling in our initial meetings in January of '85 -- '86, because remember the program really took off in October.

We began to really issue checks at the end of October. Within four weeks or five weeks, the subcommittee, the Western Hemisphere Subcommittee, asked for a GAO accounting. We had our first meetings with the GAO in early December of 1985.

They virtually moved in. They had access to our files right after Christmas, in January of '86. And they were there until at least I left. They were in and

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out. And the Justice Department and the FBI and everyone had access.

So the GAO, the Government Accounting Office, was there from early January, in and out, discussing, looking at the bank accounts and everything else. And they pointed out the fact that we would have a problem with comingling. But they said, we'll look into it a little further.

I think the GAO was holding out to see if any of us would get access [redacted] and then we didn't have it at that point. And then we did get it at the end of February. And I think they may have felt that they would be able to get in after us.

But they were perfectly aware, and they pointed it out to us in January, but they did not offer suggestions, given the political reality of what we had to deal with [redacted]

MR. SMILJANICH: That will conclude the deposition. Thank you for coming, Mr. Arcos.

I will have the court reporter prepare a transcript of this. The classification level for the deposition will be secret. Nothing you said goes beyond secret, does it?

THE WITNESS: No, I don't think there's anything top secret.

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MR. SMILJANICH: If it even got to secret.

THE WITNESS: Well, the Agency. I named some people in the Agency.

MR. SMILJANICH: Okay, the classification will be secret. When she prepares the transcript, I would like you to take a look at the transcript so that you can make sure of the spellings and that she has things down correctly. You can make notations at the back if you feel that she put down one thing and you said something else, a word or something.

Then after that you can sign the deposition, and then we will get a copy.

(Whereupon, at 6:45 p.m., the taking of the instant deposition was concluded.)

_____

Signature of the witness

SUBSCRIBED AND SWORN TO before me this _____ day of _____, 198___.

_____

Notary Public

My Commission expires:

UNCLASSIFIED